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BEFORE THE ARIZONA CORPORATIC

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3 IN THE MATTER OF THE APPLICATION OF )  
4 ARIZONA PUBLIC SERVICE COMPANY'S )  
5 REQUEST FOR AUTHORIZATION FOR )  
6 INCREASE IN RECOVERY GUARANTEE FOR )  
7 PRODUCTION BASED INCENTIVES FOR )  
8 DISTRIBUTED RENEWABLE GENERATION )  
9 PROJECTS. )

DOCKET NO.  
E-01345A-09-0263

OPEN MEETING

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9 At: Phoenix, Arizona

10 Date: August 26, 2009

11 Filed: AUG 31 2009

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

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AGENDA ITEM U-22

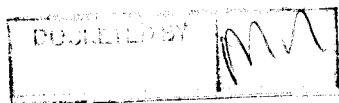
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Arizona Corporation Commission  
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1 BE IT REMEMBERED that an Open Meeting was held at  
2 the Arizona Corporation Commission, 1200 West Washington  
3 Street, Phoenix, Arizona, commencing at 10:00 a.m. on the  
4 26th day of August, 2009.

5

6 BEFORE: KRISTIN K. MAYES, Chairman  
7 GARY PIERCE, Commissioner  
8 PAUL NEWMAN, Commissioner  
9 SANDRA D. KENNEDY, Commissioner  
10 BOB STUMP, Commissioner

11 SHAYLIN A. BERNAL, Secretary

12

13 IN ATTENDANCE FOR AGENDA ITEM NO. U-22:

14 For Arizona Corporation Commission:

15 MS. JANICE ALWARD  
16 MR. RAY WILLIAMSON  
17 MR. STEVE OLEA

18 For Arizona Public Service Company:

19 MS. DEBORAH R. SCOTT  
20 MR. EVAN A. MAHRER  
21 MS. BARBARA LOCKWOOD

22 For SunRun, Inc.:

23 MR. JAY MOYES  
24 MR. STEVE WENE

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KATE E. BAUMGARTH, RPR  
Certified Reporter  
Certificate No. 50582

(10:55 a.m.)

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CHMN. MAYES: I have a bunch of public comments from folks, so I thought what I would do is -- you know, I don't know what we will do because I know folks want to talk probably to both the schools' issue and the PBI issue or both, and yet I think we have a proposal to split off the schools' issue.

9

Ms. Alward, do you have any advice for me on this? Because it's become quite complicated all of a sudden.

12

MS. ALWARD: You know, I don't have any legal advice here, but from a practical point of view, I suppose if the public comment was divided into two groups, you might have a repetition of someone speaking in both groups, but at least that way the record would have them in their own buckets. But I don't think there is any legal issue presented as to how you go about it.

19

CHMN. MAYES: Okay. Well, what we will do in an abundance of opportunity to provide public comment, I will go ahead and go through the public comment. Everybody sort of knows the amendments that are out there, the ideas that are out there, and the Staff report and the order on this item, Item No. U-22. So we will just plow through them and then everybody knows that there is a possibility



1 that either U-22 could be pulled in its entirety and held  
2 over to the Securities Division or bifurcated and part of  
3 it voted on today.

4 MS. ALWARD: That's correct, and don't forget the  
5 public comment will still be the public comment whether  
6 it's today and whether it's at another opportunity at a  
7 subsequent open meeting.

8 CHMN. MAYES: Okay. Great.

9 So we will start with Freddie Bracamonte.

10 MR. BRACAMONTE: Good morning, Madam Chair,  
11 Commissioners. My name is Freddie Bracamonte. I am  
12 partner in Sundial Capital Partners, LLC. I would like to  
13 provide some comments regarding the financing of the  
14 schools and why it's important to us.

15 In today's capital market it's almost impossible  
16 to finance a school project with a PBI and with a fixed  
17 rate. So what we are offering the schools is a fixed rate  
18 for 15 or 20 or 25 years with an up-front incentive. We  
19 cannot -- banks will not -- banks will slap a big discount  
20 on any leverage that they provide us if we do a PBI  
21 through the utility.

22 So it's really important. We are under consider  
23 with the three school districts for a megawatts or a  
24 megawatt and a half to finance, construct and build, but  
25 we can't do it without the up-front incentive.

1 CHMN. MAYES: Thank you for being here,  
2 Mr. Bracamonte.

3 Which school are you talking to? And then,  
4 again, you are with Sundial Capital Partners?

5 MR. BRACAMONTE: That's correct.

6 Scottsdale Unified School District, Agua Fria  
7 Union High School District, and Deer Valley Unified School  
8 District.

9 CHMN. MAYES: Okay. And the -- and the banks are  
10 telling you that -- can you give us a better sense of what  
11 is going on?

12 MR. BRACAMONTE: Tax equity is so scarce that  
13 they are picking the best projects, and the schools aren't  
14 the projects that are providing them the best AIR for  
15 them. So they will finance a project if it's an up-front  
16 incentive but not a PBI since it's a fixed rate. So most  
17 projects that they are financing involve an escalation of  
18 some sort.

19 CHMN. MAYES: Okay. Thank you very much for  
20 being here.

21 MR. BRACAMONTE: Thank you.

22 CHMN. MAYES: We will go to Lori Glover from  
23 Solid Energy.

24 MS. GLOVER: I don't need to speak, but I'm a  
25 supporter --

1 CHMN. MAYES: Lori, you have to come forward.

2 MS. GLOVER: I don't need to speak.

3 CHMN. MAYES: Okay. We have your comments.

4 Craig McKey, director of contracting programs for  
5 Mohave Education Services Corp.

6 MR. McKEY: I will apologize in advance; I'm  
7 left-handed.

8 Good morning. Thank you for the opportunity to  
9 speak. My name is Craig McKey. I'm the director of  
10 contracts and programs for Mohave Educational Services.

11 What we are is we are a nonprofit cooperative.  
12 We help with schools, cities, and counties as they need to  
13 make purchases. In order for us to do that for 390  
14 members, we have to pick and choose our projects fairly  
15 carefully. In the case of a new product -- like we are  
16 calling our product a third-party power providers -- we  
17 are very careful. We are doing a pilot program at this  
18 time.

19 We have been restrained and held back a couple of  
20 times just because the market seems to keep changing. If  
21 we are going to do this on behalf of our large  
22 membership -- and I have had at least a dozen school  
23 districts ask us to do a broader contract, like the  
24 contract we have out on the street now -- we need to know  
25 that these things are stable. The vendor community has

1 told us they need these incentives. If we are ever going  
2 to help our schools, this is the time to do it.

3 So that is all I'm here for, is to support our  
4 school members and let the Commission know that these are  
5 important to us.

6 CHMN. MAYES: Okay. So you are both in favor of  
7 APS's PBI proposal and the schools' funding proposal?

8 MR. McKEY: Yes, ma'am.

9 CHMN. MAYES: Commissioner Newman.

10 COM. NEWMAN: First of all, Mr. McKey, I'm  
11 right-handed.

12 I just want to tell you, I have a lot of respect  
13 for Mohave, and working for local government for a long  
14 time I know you're an essential service to a lot of local  
15 governments. So I kind of -- I'm offering you to expand  
16 your comments a bit about how the Commission or APS, for  
17 that matter, might be able to assist you in leveraging for  
18 school districts and what exactly -- what exactly -- that  
19 is one. And number two, what service are you providing,  
20 per se?

21 I know a lot of school districts don't have  
22 expertise, and that usually is what you provide. But  
23 those two questions. I just wanted to have a colloquy  
24 with you about it because it's our chance to do it on the  
25 record.

1 MR. McKEY: Sure. Generally speaking what we do  
2 is we go out for contracts so that members don't have to.  
3 If they are going to spend over a certain amount of money,  
4 they have to use a contract to make the purchase, that is  
5 what we do. We are the experts in the contracting.

6 When it actually comes to the nuts and bolts or  
7 the volts, in this case, we rely on experts in the field  
8 to help us with those things. But in this case we had a  
9 variety of members come to us and ask us, we would like to  
10 do some sort of project to help lower our utility costs  
11 and kind of even those costs out so they know what they  
12 will be in the future.

13 You know, there has been so many cutbacks, and  
14 they are doing whatever they can. They are stewards of  
15 the taxpayers' money.

16 So that is what we are doing in this case. We  
17 put together a pilot program to do three districts'  
18 projects. There is actually four sites, but the idea is,  
19 if it works, is you will be able to sign a contract with  
20 one of these firms. They will put up some of this  
21 apparatus. It will give them power at a set rate for a  
22 set period of time. That helps them with budgeting. It  
23 helps drop their overall number.

24 If it works, it could be tremendous, and we have  
25 had numerous districts ask us to do the same thing. But

1 right now we first put out our request for information  
2 about this about a year and a half ago, and we already  
3 held back because we didn't know who the president was  
4 going to be. That is what we were told by our vendor  
5 community, is there are all these political ramifications.  
6 You know, we write contracts; we don't follow policy.

7 COM. NEWMAN: Did you say the president of the  
8 company?

9 MR. McKEY: The president of the country. We  
10 were told if Obama got elected, we had a better chance of  
11 pulling this off.

12 What I will tell you is we need stability. We  
13 need to know if these incentives are offered that there is  
14 going to be a chance for them to be out there further on.

15 Additionally, if there is a pot of money that can  
16 be moved over that schools can access at a time when they  
17 desperately need it, we are all for that. And I would be  
18 for it whether I was here for Mohave or not.

19 COM. NEWMAN: I want to tell you, I know I share  
20 this with most of the panel. I don't want to take  
21 providence, but we urge that more money be set aside for  
22 schools and ARRA, and we have been doing things in  
23 relation to what you said, the administrative policy  
24 money, distributed generation, which I think is very  
25 similar to a majority of the members at the ACC.

1           So we support that. One of the quandaries we  
2 have is we also would like to see as many residential  
3 users in this state using it. We want to see everyone  
4 using it.

5           I talked to someone, a gentleman from the City of  
6 Tucson who is in charge of promoting and distributing  
7 generation in Tucson who -- just last week, and they are  
8 in the process of putting some sort after GSI map of  
9 everywhere in the state where we are going to be able to  
10 have distributed generation. So people see those models  
11 in the community.

12           So we certainly support that. One of the  
13 quandaries for the Commission, though, and for APS, is  
14 trying to figure out how to foster both residential and  
15 school.

16           And then my third quizzical or puzzling question  
17 is, I know the kind of things that Mohave does, usually  
18 providing goods and services -- goods many times for -- in  
19 a massive -- because you are buying bulk and you keep the  
20 prices down for school districts and other government  
21 entities. I think that is your role and the role that you  
22 fit quite well.

23           But what I'm a little bit at a loss is there are  
24 these third-party vendors that work directly with school  
25 systems, and I'm not trying to be commercial against you.

1 I just want to know what in addition that you provide that  
2 the ACC should know about and the community should know  
3 about for school districts.

4 MR. McKEY: Well, the commercial for us was very  
5 good. I appreciate that.

6 As far as what we bring to the table in this  
7 particular one, it's our expertise of contracting. We are  
8 experts at holding vendors' feet to the fire, making sure  
9 that they live up to the contract.

10 I think if you were to ask a swath of procurement  
11 people around the state, a lot of us are very good at  
12 getting contracts in place, but sometimes the contract  
13 management isn't there. That is other thing we bring to  
14 the table.

15 We have about 180 contracts. We process around  
16 12,000 orders a year. All of those are looked at against  
17 the contract that is in place to make sure that our  
18 member, whether it's a school or a city or a county, is  
19 paying the price they are supposed to pay, they are  
20 getting the items that are under contract, and if there is  
21 a dispute, which fortunately we don't have a lot of, we  
22 bring that power of our entire membership to play in our  
23 role of defending our member.

24 COM. NEWMAN: So in the same way, that by  
25 providing bulk goods, in a sense, you can get a better



1 contract price, you believe, for your member?

2 MR. McKEY: Our goal is to get the best value,  
3 yeah. That will be the goal in this contract and that is  
4 the goal in everything we do.

5 COM. NEWMAN: Thank you.

6 CHMN. MAYES: Thank you.

7 COM. NEWMAN: Very interesting.

8 CHMN. MAYES: Commissioner Pierce.

9 COM. PIERCE: Thank you. Mr. McKey, it's good to  
10 have you here, and I have some questions about how this  
11 would best work.

12 It seems to me in what you said is that what you  
13 need to be able to -- when you go out for bids and you get  
14 some set prices so you can go out to the school, you also  
15 need to -- in all of these occasions you need to really  
16 know how much is available to schools on an ongoing basis  
17 almost, isn't that correct, I mean, not just this year,  
18 next year and so on? Because you are not going to get all  
19 the schools that may want to do this in one year.

20 I suspect that as this type of thing takes off,  
21 you are going to have a lot of inquiries and interest.

22 MR. McKEY: Yes.

23 COM. PIERCE: And I don't want to put words in  
24 your mouth, but it seems to me that what you are asking  
25 for is a dedicated funding stream for schools in our plan;

1 is that correct?

2 MR. McKEY: I will leave that up to the experts.  
3 That sound very good to me. I'm not an expert in this  
4 industry. But, yeah, if we know the scenarios, it gives  
5 us a chance to write a better contract.

6 COM. PIERCE: The only thing is, the response by  
7 school districts could actually overwhelm the plan. And,  
8 I mean, that is probably good that I think the interest is  
9 there and that the people want to do that. But I think it  
10 would really take some rethinking, I think, at this level  
11 about how we engineer something that works for the school  
12 districts.

13 And I was going to ask you because you represent  
14 school districts around the state that look to you for  
15 items and what bid are you getting for this and so on;  
16 they turn to you automatically and find out what the  
17 prices of this -- so they don't want to have to go out and  
18 do that work; correct?

19 MR. McKEY: Correct.

20 COM. PIERCE: So do you deal with the folks --  
21 I'm going to stay with APS and with the folks in Douglas  
22 and Bisbee and Yuma, in other rural communities.

23 Are they part of your pool?

24 MR. McKEY: Yes, we have members all over the  
25 state.

1 COM. PIERCE: You have had inquiries from those  
2 folks on solar on their schools or distributed generation?

3 MR. McKEY: I'll tell you, the people we have had  
4 the most requests of are mostly Valley folks. I did talk  
5 briefly with Yuma, and I believe at some point -- it  
6 wasn't me -- but somebody else from our group did talk to  
7 a couple folks from around the Show Low area.

8 But we have had a lot from down here. And if  
9 this works -- we're learning a lot from doing this  
10 contract -- if this works, it would be our goal to try and  
11 make it work on a broader level. But again, in order to  
12 do that, we have got to know more before we can do it on  
13 that broader level, not just learning about what we have  
14 done here, but to address your point, yeah, what are the  
15 abilities for these other utilities to do this type of  
16 thing?

17 COM. PIERCE: And I think that if the market is  
18 really strong and districts want to do that, that perhaps  
19 the incentive doesn't need to be -- it becomes a  
20 market-based-type thing and the school districts will look  
21 at it and say, hey, this work for me, and that is a  
22 balancing too.

23 But I appreciate -- because I agree, I think  
24 schools are just an ideal place, not only that they are in  
25 strategic places that allow for different amounts of

1 distributed generation to be in this area and to be able  
2 to serve the grid like we would like it to be done as  
3 well.

4 So it serves a great purpose. As I look at ZIP  
5 codes, it seems we are concentrating a lot of this in  
6 certain ZIP codes, but schools help to --

7 MR. McKEY: They make it broader.

8 The other thing I just mentioned as kind of an  
9 aside, one of the criteria that we have out in the RFP  
10 that we have out right now -- and it's a lower-level  
11 criteria, but it is there -- is the ability for this  
12 system to act as a teaching tool; it can teach the  
13 students about solar power and how it works.

14 COM. PIERCE: And I think our future is the folks  
15 want to do this and they can afford it and they do it  
16 instead of the incentives because I'm not sure --

17 I mean, it's very apparent to me; we have a  
18 carve-out for residential-distributed generation. Well,  
19 it's going to be a tiny percentage of folks that can  
20 participate in that. Everyone else will participate in  
21 the rates, and I'm not saying they don't get a benefit.  
22 I'm saying that they won't have it on the rooftop; that  
23 doesn't say that they don't benefit from us not having to  
24 have peaking plants in some place and maybe base load in  
25 others. So there is great benefit -- or power lines

1 installed -- but we want people to contribute to the grid  
2 with that generation.

3 But my point is, it's a great teaching tool, and  
4 I think for the future of this and moving people to  
5 wanting to do it with less incentive is independent upon  
6 using it as a teaching tool.

7 CHMN. MAYES: Thank you for being here.

8 MR. McKEY: Thank you for your time.

9 CHMN. MAYES: And, Colleagues, it sounds like we  
10 want to have this debate today.

11 Commissioner Pierce, I know you wanted to  
12 bifurcate this issue, but you seem to be wanting to get  
13 into a policy debate during a public comment session,  
14 which I'm glad to do if that is what you want to do. It  
15 was my notion that we do have this debate today, so is  
16 that what you want to do? I mean, let's do it. We have  
17 the schools here. We have -- let's go for it.

18 COM. PIERCE: Well, we can --

19 CHMN. MAYES: We have a full room, and I don't  
20 know what we are waiting for.

21 COM. PIERCE: Well, I don't think we -- as a  
22 matter of fact I'm not sure we have had notice to school  
23 districts throughout the state.

24 CHMN. MAYES: Well, if we are going to -- okay,  
25 but if we are going to sit up here and debate the policy

1 issue, what are we going to do?

2 COM. PIERCE: Well, unless these people are going  
3 to come back for the next one, and maybe they are, and  
4 maybe they just assume see us bifurcate this and come back  
5 to the next hearing so that we can talk about it. I'm not  
6 sure who is going to be here next time, and especially  
7 someone like Mr. McKey who serves a lot of school  
8 districts. I think -- I don't intend to have a lot of  
9 those questions, but for people like that.

10 CHMN. MAYES: Well, I just wanted to -- I was a  
11 little confused by your intention. We can have this  
12 debate with every single public commenter if you want to.

13 You made some comments about residential and the  
14 fact that we weren't going to be able to do but a tiny  
15 amount of residential. I totally disagree. I think we  
16 will do a lot of residential in the state of Arizona, and  
17 we can start having this debate now or we can have it  
18 two weeks from now, which I thought was your druthers.

19 COM. PIERCE: Madam Chair, I don't want you to  
20 misunderstand where I'm coming from because I'm not trying  
21 to encourage that kind of debate between us.

22 All I'm saying is at the rate we are -- the way  
23 we are going with distributed generation that we will be  
24 limited, is my point, but over time I think the suspicion  
25 is, as I was educated on this, is that the incentives will

1 go down because it will be more broad. We are just  
2 relying on that, that it's not going to get the job done,  
3 and we do need more. I'm not trying to say that.

4 CHMN. MAYES: Okay. And in response to that my  
5 view is that we have an entire state of people who want to  
6 do solar energy, who want to put it on their rooftops.

7 I disagree with you about the analysis that APS  
8 did on the ZIP codes. I think it actually demonstrates  
9 that, A, the median income of people who are doing solar  
10 is fairly -- you know, it's much lower than I thought it  
11 would be, about \$50,000, and that the solar residential  
12 solar systems that are going in are going in all across  
13 Arizona from Seligman to Flagstaff to Paradise Valley to  
14 throughout Phoenix. I disagree with you on that.

15 I think that we are going to do a lot of  
16 residential distributed generation, and I think it's up to  
17 this Commission and APS to make sure that we doing just as  
18 much residential as commercial.

19 So I am glad to have this debate today. We will  
20 continue to talk about it.

21 Tom Alston from the Solar Alliance.

22 MR. ALSTON: Hi. My name is Tom Alston. I  
23 represent the Solar Alliance here in Arizona.

24 I'm going to -- I don't know if we are having a  
25 debate or not here. I would like to kind of put forth

1 some of the concerns that the Alliance has with regard to  
2 the 20 million transfer from residential to commercial.

3 I think the first thing we want to point out is  
4 that it is seen by some of the Alliance members as fairly  
5 inconsistent as far as logically intuitive just calling  
6 schools a residential. I think when you talk to  
7 individual ratepayers, individual potential solar  
8 customers they see -- it's not something that necessarily  
9 follows in their mind.

10 The other thing is there have been a number of  
11 companies that have moved here expecting a certain amount,  
12 you know, that residential programs to at least be in  
13 place for a certain amount of time. A mid-year draft of  
14 policy change does, I think, weaken the power of  
15 Commission decisions if they are this malleable whenever  
16 somebody wants to change these rules, and I might say  
17 change a fairly significant rule with just about a month  
18 for everybody to gear up and talk about it and think about  
19 it.

20 The other thing is that residential ratepayers  
21 have paid into this fund. They get it on their  
22 environment surcharge. And for the last year they have  
23 had the expectation that if they want to take control of  
24 their energy future, if they want to protect themselves  
25 against rising rates or just like solar or want to do



1 that, there will be a funding -- a fund there that they  
2 have paid into.

3 Transferring this money to the schools, which we  
4 fully support by the way -- what we don't support is  
5 allowing the schools to count the RECs created from that  
6 solar panel towards their residential requirement.  
7 Because if you do that, at that point there will be  
8 less residential systems done overall. It is a grab.

9 And so that means that if I'm ratepayer and I  
10 have been paying into this environmental surcharge, if you  
11 allow the RECs from the schools to count towards the  
12 residential requirement, it now means that that pool I  
13 have been paying into means there is less money for me to  
14 put solar on my roof. And I think it's kind of a  
15 misleading thing for the ratepayers. I think that is the  
16 primary concern here.

17 And I do want to reiterate that we are for  
18 transferring the money for schools, but it should go  
19 towards the nonresidential requirement. Essentially what  
20 that does is it would push the funding or the cost of the  
21 nonresidential program forward and push the cost of the  
22 residential program back, rather than reduce the total  
23 nonresidential -- or the total number of residential  
24 systems that you can do.

25 So that is our comment on that, if there are any

1 questions.

2 CHMN. MAYES: Mr. Alston, one of the -- and  
3 obviously your position squares up with my amendment, I  
4 think, my first amendment that would allow the \$20 million  
5 to go to schools on a one-time basis, but would not lead  
6 to a revamping of our rules and would not be a policy  
7 change.

8 But one of the arguments being made by APS and I  
9 guess those who favor transferring the money on a one-time  
10 basis and I guess those who would be in favor of allowing  
11 schools to count permanently toward a residential, which  
12 I'm not in favor of at this point; I don't see the  
13 fairness of that towards residential ratepayers, but one  
14 of the arguments they are making is that while the  
15 residential program isn't doing as well as the commercial  
16 program, the money is going to be left over -- although, I  
17 don't think we know yet to what degree that the money will  
18 be left over, and I think we also have evidence that the  
19 residential program is doing quite a bit better. I think  
20 it was up last year 60 percent over the year before. I  
21 don't know what it's up this year, but it's growing -- but  
22 the money is still going to be left over.

23 How do you respond to that?

24 MR. ALSTON: You know, Chairman Mayes,  
25 Commissioners, the way that I would respond to that is we

1 are ramping up very quickly. We have seen a 300 percent  
2 growth in the residential market. Making rapid  
3 course-correction changes like this with very limited data  
4 sends some pretty crazy signals to the market. It makes  
5 it real hard to plan for.

6 I would also say that traditionally we have seen  
7 a 50 percent increase in residential purchases in Q-3 and  
8 Q-4, so I think that is going to take up some of the  
9 money.

10 The other thing I would point out is that if you  
11 talk to the people at SRP they have seen in the last month  
12 their residential requests go from around 30 a month to  
13 400 a month. And the reason why is once consumers get the  
14 signal that funds could be running out, which if the  
15 transfer happens they may very well get that signal, you  
16 could see a run on the residential market reservations.  
17 We saw that as part of the deal, the APS program, when  
18 that ran out. We saw the last month it was really easy to  
19 sell the system because everybody wanted to jump in.

20 The other thing is, if there is money left over,  
21 it should just flow over to the next program year so that  
22 when these companies that are moving in to do residential  
23 systems here in Arizona come on-line, the money is there  
24 for them to fully reach their -- to help the utilities  
25 reach their residential requirements in a way that doesn't

1 require some logic that will start to call schools a  
2 residence.

3           So we do support if the school is on a  
4 residential rate plan and they are paying into the  
5 residential plan and have been paying into the residential  
6 environmental -- paying residential environmental  
7 surcharges, then, yeah, let them take advantage of that.  
8 But if they haven't, I wonder if there is not a class  
9 issue on that as well. I'm not an expert, but it's a  
10 consideration.

11           CHMN. MAYES: You saw my amendment, which we may  
12 or may not take up today, asking or requiring APS to  
13 engage in a plan to increase its marketing of the  
14 residential program.

15           What -- is the company doing an adequate job of  
16 marketing the residential program? Is it not? Is that a  
17 fair idea?

18           MR. ALSTON: Chairman Mayes, Commissioners, I'm  
19 not an expert on marketing here. I will say that we  
20 are -- we do think APS is doing a pretty good job with the  
21 residential -- providing incentives through their actual  
22 team. Whether or not they can do more marketing, maybe,  
23 which is kind of why we think it's strange that the  
24 residential program has been so successful. We don't  
25 fully understand why they want to shift gears right now.

1 But I would say more marketing probably couldn't hurt.

2 CHMN. MAYES: Okay. And then finally, the Solar  
3 Alliance -- does the Solar Alliance believe that the  
4 recommended order in front of us is a one-time allocation  
5 of \$20 million or a permanent change to the residential  
6 program? Because my interpretation is that it's a  
7 one-time allocation. If I'm wrong, then we need to make  
8 it clear in the order.

9 MR. ALSTON: Chairman Mayes, Commissioners, I  
10 think it's a dangerous precedent. If APS sees it only as  
11 something they want to go forward with one time, I would  
12 like to hear them say that.

13 CHMN. MAYES: Okay. We will get them on the  
14 record about that.

15 Commissioner Stump.

16 COM. STUMP: Thank you, Madam Chair. Hi,  
17 Mr. Alston. Good to see you again. I was wondering if  
18 you could touch on the issue of the cap. I think, if I  
19 read your letter correctly, you have some reservations  
20 about a cap.

21 And I noted that Staff believes that the recovery  
22 guarantee could grow to about half a billion in 2010 or  
23 one billion more in 2011. I wonder if you could address  
24 that, what you feel that is.

25 MR. ALSTON: Chairman Mayes, Commissioner Stump,

1 I appreciate the question here, and I appreciate being  
2 able to kind of clear up our position on that.

3 We are not saying there should be no cap. We are  
4 just saying that if you are going to have utilities be  
5 required to meet a nonresidential goal and you are going  
6 to require them through a PBI, whatever you're authorizing  
7 them to recover should be the same number that they think  
8 it will take to meet that nonresidential requirement.

9 And if you look at TEP, they don't have a cap,  
10 and it's basically a de facto authorization. I know TEP  
11 probably wants one.

12 But what this issue is is essentially the  
13 Commission saying explicitly, yeah, we have authorized you  
14 to raise this amount of money but we really mean it kind  
15 of into perpetuity.

16 So I think that was our comment. And we are not  
17 opposing the APS proposal.

18 COM. STUMP: Madam Chair, Mr. Alston, I shared  
19 your concern about the sort of tortured redefinition, but  
20 as I see it, I assume this is really -- maybe you see it  
21 this way too -- kind of a prudential one-time  
22 reclassification. You mentioned logical earlier, so I  
23 guess this is really a prudential reclassification as it  
24 were.

25 MR. ALSTON: Chairman Mayes, Commissioner, by

1 prudential you mean?

2 COM. STUMP: Well, in the sense that -- I mean,  
3 common sense tells you that it's hard to classify a school  
4 in that manner, but to extend the funds on a prudential  
5 basis makes sense to classify them that way.

6 MR. ALSTON: We think -- you know, if you are  
7 going to do it, the funds should be transferred, but if  
8 the utilities fall short of the residential program -- we  
9 think they are doing a good job -- but that fact should be  
10 acknowledged to people and ratepayers should know that we  
11 didn't quite get there this year; we think we will get  
12 there next year.

13 But there is no reason to transfers RECs from the  
14 nonresidential to the residential. Just transfer the  
15 money. Let the program play out. Give it a chance to  
16 run. It's a very good program.

17 CHMN. MAYES: Commissioner Pierce.

18 COM. PIERCE: Thank you, Mr. Alston. It's good  
19 to see you.

20 I agree some of these things need some time.  
21 This has been a request that we have had less than a  
22 month.

23 I want to make it clear that I support  
24 residential DG. I think that people should put that on  
25 their rooftops. I'm just trying to deal with the limited

1 amount of money to do all the things. And sure, I have my  
2 preferences and other commissioners have their  
3 preferences.

4 But what happens in 2010, though, when the same  
5 oversubscription for nonresidential occurs and probably  
6 the same undersubscription for residential? Wouldn't it  
7 seem feasible for us to come back in and take a look at  
8 whatever the proposal may be?

9 Let me say, there may be school districts out  
10 there that will see what happened here and say, wow, how  
11 do I get on that bandwagon? And we are going -- what is  
12 going to happen is just what Mr. McKey says, we will say  
13 here potentially that you don't have that option in 2010  
14 as opposed to, well, if the same set of circumstances are  
15 there, the Commission actually may do that again.

16 What is wrong with that thinking? Because that  
17 may be exactly what happens, and we have a -- and it will  
18 be detrimental for the financing scheme for the school  
19 districts that are looking for the future.

20 MR. ALSTON: Chairman Mayes, Commissioner Pierce,  
21 you know, I think, one, we do represent an organization  
22 that does do a lot of solar schools and a lot of  
23 commercial; two, we do want the moneys transferred; three,  
24 we think the residential market will surge in 2010. We  
25 really do. It's turning nicely.



1           If we want to -- if it doesn't, we would be happy  
2 to, I think, reevaluate it at the end of 2010 and say  
3 maybe -- but do it through a systematic method, maybe  
4 through an implementation plan at the end of the year  
5 rather than a three-week-notice sort of thing.

6           COM. PIERCE: I guess the question is, why  
7 precommit to a set of circumstances that we are not  
8 certain? And then that's -- you have kind of answered  
9 that.

10           But one thing you did say, and I appreciate it,  
11 that people come into this state, you know, to do business  
12 in this state, but I don't think that the plan at all, the  
13 RES rules at all, are to protect a certain segment of the  
14 market, whether it's residential installers, that come in.  
15 Our intent and my intent is to get the most -- the best  
16 bang for the buck for ratepayers, get the most megawatts  
17 out there and in this carve-out for distributed  
18 generation, get distributed generation out there on  
19 rooftops and don't have moneys left over.

20           And if we are oversubscribed in one area, perhaps  
21 those incentives are a little too strong, as Staff is  
22 addressing that concept, that maybe we ought to be  
23 stepping down those because we are oversubscribing. You  
24 know, there is going to be a point where we are not having  
25 to come back here each year because the incentive is set

1 right.

2 And conversely I have seen that on the  
3 residential side, that, you know, that the incentive -- I  
4 think the different plans will not alter. I think  
5 incentives are strong enough. I think we can actually do  
6 more with the money we have.

7 I mean -- and I have talked to you time and again  
8 about, this needs to stand on its own at some point  
9 without incentives, and I think we can get there through  
10 education and through ratcheting down incentives to get  
11 more folks on if the demand is there.

12 That should be the goal, shouldn't it?

13 MR. ALSTON: Chairman Mayes, Commissioner Pierce,  
14 the goal of the Solar Alliance is to be free of  
15 incentives.

16 As far as, you know, your comment -- I'll start  
17 with your beginning comment -- as far as one technology  
18 being better than another, I think the rules as they are  
19 now are pretty equal. We just want to let them have kind  
20 of a chance to run.

21 And I did mention the companies that specialize  
22 in certain type of solar coming into the state. I'm not  
23 saying they should be favored; I'm just saying that the  
24 rules that they came in here expecting to be in place  
25 should still be here.

1           As far as incentive changes, I think we feel the  
2 Alliance has been pretty supportive of working with the  
3 Commission on moving those up or down.

4           COM. PIERCE: I just want to say that I'm  
5 sympathetic to that, that, you know, people come in here,  
6 that the Commission sets rules and that any changes we  
7 make should be well thought out and should focus on the  
8 commitments we have already made. I agree. And I think  
9 it would be irresponsible really on my part not to  
10 acknowledge that. So I'm not running away from it at all.  
11 Thank you.

12           CHMN. MAYES: Thank you, Commissioner Pierce.

13           Mr. Alston, you know, to this point, you said you  
14 think we need to give the residential DG program a chance  
15 to run, and frankly I couldn't agree with you more about  
16 that, especially given the fact that we are in the middle  
17 of a very deep recession and most residential  
18 homeowners -- would you agree with me, a lot of  
19 residential homeowners are actually facing depreciation of  
20 home values; it's tough for a lot of people to afford  
21 right now, at this snapshot in time, to put solar on the  
22 rooftops?

23           But I think that is going to change in a couple  
24 of years and we will -- I think as the only commissioner  
25 sitting up here who was here when we wrote the rule and

1 who was here when we wrote the 50/50 split, we were trying  
2 to write a rule that would last -- that would be enduring,  
3 that would last a while.

4 We knew there might be changes. That is why we  
5 had the waiver provision in it, but I certainly as a  
6 commissioner who was here during the writing of that rule  
7 and was deeply involved in the distributed generation  
8 piece never thought that we would drastically -- that we  
9 would drastically alter the amount of money that would be  
10 available to residential homeowners.

11 So that is the problem I have with the idea of  
12 reclassifying schools as residential permanently. While  
13 I'm supportive of giving the \$20 million to the schools  
14 this year, I think is what the schools themselves want, I  
15 would have a hard time supporting something that would  
16 really have the effect of altering these rules at a time  
17 when, you know, we really should be letting the rules play  
18 out and see what happens.

19 So what is the Solar Alliance's view of the  
20 economy right now and what that may be doing to the  
21 ability of homeowners to put solar up?

22 MR. ALSTON: Chairman Mayes, Commissioners, I  
23 think it is remarkable that you have seen a 300 percent  
24 jump in the residential program. I think that is due to a  
25 lot of different things. I think as we are seeing more

1 and more interest from homebuilders; I think that is an  
2 area, residential, that can explode quickly because then  
3 you can go out and sign a contract for a bunch of  
4 different new residential homes. I think as the economy  
5 recovers that will be a huge area of growth. It is  
6 remarkable just how well it's grown in a very tough  
7 economy, both residential and nonresidential.

8 I would also point out that the growth of  
9 companies coming to the state that do solar leases for  
10 residences do give access to some of the people who maybe  
11 don't have a big amount of cash but have good credit  
12 scores to go ahead and do solar as well. So I think that  
13 may be an area of growth.

14 CHMN. MAYES: Okay.

15 MR. ALSTON: I'm not sure that answered your  
16 question.

17 CHMN. MAYES: No, it does. And then I would just  
18 ask, you know, would you agree with me that, you know, the  
19 folks who put up solar on their rooftops are early  
20 adopters? And then in most industries you have early  
21 adopters like with the Prius, with hybrid; you know, they  
22 started out pretty expensive; a lot of people couldn't  
23 afford them; those type of things were subsidized to some  
24 degree; they have developed, and now they are more  
25 affordable, certainly, than they use to be -- not

1 affordable enough for me to buy one -- but over time you  
2 have early adopters and then other people come in?

3 MR. ALSTON: Chairman Mayes, Commissioners, I  
4 believe that is probably the case. You can look at other  
5 countries and states to see an example of what more  
6 widespread adoptions might look like.

7 And, in fact, we even have some kind of gems in  
8 Arizona of what widespread adoption on residence might  
9 look like. There are a lot of solar companies in the room  
10 that have sold systems in the Pebble Creek neighborhood  
11 where it's literally hundreds and hundreds of systems in  
12 this neighborhood where there's this one community  
13 activist who started pushing these systems, and now you  
14 can drive down in it and it's pretty widely spread  
15 adopted. And the nice thing about that neighborhood is  
16 that there is nothing special about it; it is just what it  
17 could look like in the future.

18 CHMN. MAYES: Yeah, I have seen pictures of that  
19 Pebble Creek neighborhood.

20 Speaking of the widespread distribution,  
21 Commissioner Pierce asked APS to provide a map and charts  
22 of the ZIP codes, and it sure looks to me like there is a  
23 lot of interest of this all throughout Arizona --  
24 Seligman, Ash Fork, Sun City, Flagstaff, Snowflake,  
25 Northwest Peoria, Sedona, Phoenix, Estrella,

1 Sun City West, Moon Valley, Sedona, Sun City West again,  
2 North Peoria, Shadow Mountain, Anthem, Carefree, all over  
3 the place -- and the median state income level for those  
4 adopting solar is \$49,950.

5 What do you think about that?

6 MR. ALSTON: Chairman Mayes, I agree with the  
7 comments.

8 CHMN. MAYES: That it suggests that there is  
9 widespread interest by both residential consumers and  
10 schools and businesses in solar energy?

11 MR. ALSTON: Definitely, I believe so.

12 The other thing that I don't think has been  
13 addressed, and I think one of the reasons is the  
14 information on it is not available as of yet, but it does  
15 look like the \$10 million of the ARRA funding, which was  
16 one of the arguments for transferring the money, may  
17 actually -- another \$10 million, it will be available for  
18 low-income housing and residential funds will be necessary  
19 depending on how that program shakes out -- and I don't  
20 think anybody has seen that -- to leverage that money.

21 CHMN. MAYES: Well, that is interesting. I  
22 wasn't aware of that. I think we will have to delve into  
23 that a little bit.

24 Commissioner Newman.

25 COM. NEWMAN: I was actually going to -- Thank

1 you, Madam Chair. I was actually going to ask a question  
2 of you, but just a clarification for the record on -- I  
3 hadn't heard about low-income housing.

4 Is that going to be through HUD or who?

5 MR. ALSTON: Chairman Mayes, Commissioner, at  
6 this point I have heard just very little from the State  
7 Energy Office about it, and there is probably people in  
8 the room that know a great more about it. And I don't  
9 want to mischaracterize that I think that is absolutely  
10 what the money is going for; I'm not entirely sure.

11 COM. NEWMAN: I would like to know more about  
12 that subject.

13 MR. ALSTON: I do think it's something to look  
14 into.

15 COM. NEWMAN: And I thank you for your testimony,  
16 and I want you to stay up there for a second, but I have a  
17 couple questions for the Chair. It's really so I can  
18 understand this more.

19 On this switching, and so everyone can hear how  
20 my mind is going, when we go in to switch for one year,  
21 does that take money out of the permanent fund that was  
22 set aside for residences? That is my notice problem with  
23 this, and since you are the resident expert, I'm asking  
24 you.

25 CHMN. MAYES: You mean notice to ratepayers?



1 COM. NEWMAN: Well, yes.

2 CHMN. MAYES: Well, I agree. I mean, I think  
3 that is an issue. Commissioner Pierce's amendment would  
4 require notice to all the school districts in APS's  
5 service territory of the proposed move of the funds.

6 My question when I saw his amendment was, have we  
7 noticed every single ratepayer of the fact that their  
8 money could be shifted over to the commercial program?  
9 And I think that is a question we will have to ask APS, if  
10 we get to this item.

11 Again, Commissioner Pierce has a proposal to not  
12 deal with this today. So I don't know if we will deal  
13 with it or not, but I think the notice question is an  
14 interesting one. I think the answer is probably, no,  
15 there is no notice to ratepayers of this proposal.

16 COM. NEWMAN: Well, I just wanted to check with  
17 you because I have some concern about that.

18 And then the other thing with regard to  
19 tariffs -- not tariff -- incentives, the incentives of  
20 distributed generation -- and since we have a Solar  
21 Alliance representative here, we might as well begin this  
22 discussion -- I mean, one, I'm concerned about the  
23 quandary, the balance and maintaining market signals, and  
24 I think it is very important, especially in this role as a  
25 commissioner, that we maintain the signal.

1           And then, you know, the question should be for  
2 the company also, what are they doing to promote the  
3 residential?

4           In your opinion, I guess -- you know, I  
5 haven't -- this is -- I haven't been around since the rule  
6 was in place; it's been in place for a while. I hear the  
7 tale that, just as was testified to now, that when  
8 interest is made and even normal neighborhood canvassing  
9 and things like that, that usage goes up when people  
10 realize that they can afford it on a \$50,000-income level.  
11 That is one of the things I was talking to the gentleman  
12 from the city of Tucson about, which they want to promote.  
13 I think a lot of local government, including all counties,  
14 want to promote as well. So that is one question then.

15           And then tagging onto other things that we might  
16 incentivize, if we take away now, we could have a program  
17 of, let's say, feed-in tariffs -- I would like to discuss  
18 that -- to increase residential participation, but if we  
19 take this money away now, does that affect the ability for  
20 the feed-in tariffs to work in the less than robust  
21 environment? That is for you actually. I don't mind  
22 asking you in front of everybody, because I guess we are  
23 just all hanging out here.

24           CHMN. MAYES: I guess we are. It's a good  
25 question.

1           It's my view, Commissioner Newman -- and then I  
2 will turn it over to Commissioner Pierce because I think  
3 he has got some questions -- but you asked me a direct  
4 question.

5           It's my view that using -- if the money -- if  
6 it's true that the money that would be -- the \$20 million  
7 that would be used to give to the schools is not going to  
8 be used this year by residential consumers anyway, that I  
9 don't think that our doing that on a one-time basis and  
10 not allocating the RECs to the residential program,  
11 because that is a separate issue, that that wouldn't harm  
12 our ability to spur the residential program in some way,  
13 whether it's feed-in tariff or whether it's a community  
14 solar program, which I know you are interested in as well  
15 and the commissioners -- other commissioners may be  
16 interested in, I don't think that would harm our ability  
17 to do that.

18           But I think that is something that we need to  
19 talk to the parties about, and again, I'm not sure that we  
20 are talking about it today.

21           COM. NEWMAN: Well, I just -- you know, this is  
22 just an honest discussion in public.

23           CHMN. MAYES: Sure. Absolutely.

24           Commissioner Pierce.

25           COM. NEWMAN: And actually I would like to hear

1 his comments on that question because it actually is very  
2 important for, I'm sure, his members.

3 MR. ALSTON: Chairman Mayes, Commissioners, it  
4 also depends -- to answer Commissioner Newman's question,  
5 it all depends on whether or not you transfer the RECs.  
6 If you do, then there will be less overall funding for  
7 residential systems. If you do not, then you push the  
8 expenses for residential backwards -- residential  
9 compliance backwards and you push the nonresidential  
10 expenses forward.

11 COM. NEWMAN: Thank you. I am glad we had that  
12 discussion.

13 CHMN. MAYES: Commissioner Pierce.

14 COM. PIERCE: I find that an interesting thought  
15 in the accounting, but that is not where I'm headed. And  
16 I support, by the way, all ratepayers being notified. I  
17 know I'm focused on schools here, but I don't think that  
18 is a bad idea.

19 My question for you, Tom, is it unfair for  
20 residential ratepayers to transfer money from residential  
21 to schools?

22 MR. ALSTON: Chairman Mayes, Commissioner, I  
23 think, again, it depends on the RECs, if they transfer  
24 within.

25 If you allow the schools to count their RECs

1 towards the residential goal, it does mean there is less  
2 funding overall to put solar on rooftops. If you don't  
3 transfer the RECs, then the money -- I'm sorry, not the  
4 money -- but they would just have to meet the goals in  
5 subsequent years by doing more, which would push the cost  
6 for residential backwards. It would be higher residential  
7 costs for complaints later rather than sooner.

8           Whether or not that is fair, I mean, that is kind  
9 of a --

10           COM. PIERCE: Right. I guess because we know who  
11 owns the schools, and, you know, that is people and that  
12 is ratepayers and a lot of residential ratepayers. So  
13 there's -- and I think that that whole question about  
14 where they should fall, where schools should fall may be  
15 a -- for you and the position that you have, you have  
16 expressed that.

17           We are out with regular folks and when they  
18 analyze it, I'm not sure where they will fall. I don't  
19 know if they say the school is a business; should it be  
20 treated that way? It's obviously nonresidential, and I  
21 think the rules are written that way for a reason.

22           But I look forward to Solar City's weighing in  
23 about whether they think it's fair or unfair to  
24 residential ratepayers on that issue.

25           MR. ALSTON: Chairman Mayes, Commissioner Pierce,

1 I agree that there are arguments to be made. It's like,  
2 well, if we put it on the rooftops at the local  
3 businesses, maybe they can lower prices; that also helps  
4 the residential. It's a slippery slope.

5 I think the ultimate answer is a fair compromise  
6 of the transferring of moneys but not -- but kind of  
7 maintaining whether or not the kind of the integrity of  
8 the RECs, the residential going for residential and the  
9 nonresidential --

10 COM. PIERCE: Thank you, Madam Chair.

11 CHMN. MAYES: And, Mr. Alston, before you go, the  
12 Commissioners noted we will get SolarCity. Your  
13 organization represents companies that do both residential  
14 and school solar systems.

15 Did you say that?

16 MR. ALSTON: Chairman Mayes, Commissioners,  
17 that's correct, and there was a lot of companies that did  
18 weigh in, some of which are in the room that have flown in  
19 from out of state that did support the documents. But  
20 it's -- well, there you go.

21 CHMN. MAYES: Okay. Diverse group?

22 MR. ALSTON: Yeah, diverse group.

23 CHMN. MAYES: Thank you very much.

24 We will go now to Genevieve Nowicki from Solar  
25 Power Partners.

1 MS. NOWICKI: Chairman, Commissioners, thank you  
2 very much for your time.

3 I wanted to address a different issue within this  
4 docket, the reduction in the rebate allocation  
5 retroactively.

6 We understand that there is -- you would make the  
7 order as of June 30th. My request to the Commission is  
8 that you make it for the August 31st deadline.

9 Having the Commission change the rebate amount  
10 retroactively sends a bad message to investors and  
11 other -- the business community that suddenly the  
12 Commission could change things at any time, and it just  
13 presents something problematic.

14 There is already a mechanism within the rebate  
15 for a reduction in costs. There is a rating system  
16 currently in place that allows for rebates to be submitted  
17 at reduced costs, and it make for a higher probability  
18 that the applicant will receive the rebate. So there is  
19 already a mechanism for reducing the cost to the actual --  
20 you know, getting the best bang for the buck for the solar  
21 system.

22 So my suggestion is, in the Staff report,  
23 regardless what you do, don't make it retroactive; you  
24 make it as of the August 31st deadline.

25 I will mention that there is currently several

1 customers that are actually paying a premium for  
2 electricity, something beyond, in order to do the adoption  
3 of solar, so even at the current rebate amount.

4 And I also want to reiterate Tom Alston's  
5 comments regarding Solar Alliance's position. Our  
6 position isn't that you reduce that the cap be unlimited;  
7 it's that the cap be reflective of what APS needs to be in  
8 compliance of.

9 Thank you.

10 CHMN. MAYES: Okay. And so those comments  
11 obviously go to the PBI issue specifically.

12 MS. NOWICKI: Exactly.

13 CHMN. MAYES: Not necessarily the schools issue?

14 MS. NOWICKI: Exactly.

15 CHMN. MAYES: Okay. Great. Thank you.

16 Commissioner Newman has questions. I apologize.

17 COM. NEWMAN: No. Thank you.

18 Ms. Nowicki, welcome.

19 Who are you representing today? You describe  
20 your client or clients --

21 MR. NOWICKI: I represent Solar Power Partners.  
22 We are a third-party SSA/power system provider. Solar  
23 Power Partners, we own, operate commercial systems on-site  
24 where we sell the electricity to the customer.

25 COM. NEWMAN: And, Madam Chair, Ms. Nowicki, it's



1 good to see you.

2 And are you concentrating on the entire market,  
3 both commercial and residential? And could you describe  
4 that delicate balance and maybe some of the pricing  
5 signals that Mr. Alston was referring to?

6 MS. NOWICKI: So we primarily operate on  
7 commercial and schools. That is our primary market. And  
8 we are seeing a decent amount --

9 Are you talking about the downward decline of  
10 prices in the marketplace?

11 COM. NEWMAN: No, just -- no. Are you purely  
12 working in the commercial market or do you understand the  
13 Commission's quandary sort of making sure that the  
14 carve-out and the pricing signals stay in place for  
15 residences?

16 I mean, I take it that you're a solar advocate,  
17 but are you only for the commercial industry or are you  
18 residential and commercial?

19 MS. NOWICKI: Just commercial. I would rather  
20 have, you know, other companies that do residential --  
21 SolarCity, SunRun -- those companies speak to their  
22 marketplace. We are a member of Solar Alliance, and  
23 support the Solar Alliance's position.

24 COM. NEWMAN: Okay. Thank you very.

25 CHMN. MAYES: Commissioner Kennedy.

1 COM. KENNEDY: Thank you, Madam Chair.

2 Madam Chairman, Ms. Nowicki, I want to make sure  
3 I heard you correctly.

4 Now, you are with Solar Power Partners?

5 MS. NOWICKI: Correct.

6 COM. KENNEDY: And you say you sell power?

7 MS. NOWICKI: That was a misstatement. We  
8 actually haven't done any contracts in this state, so I  
9 would rather speak to that issue when we get to docket  
10 item No. 24.

11 COM. KENNEDY: Would you like to elaborate on  
12 what you do do?

13 MS. NOWICKI: We own -- in the state California  
14 we own and operate solar systems on the customer site, and  
15 in the state of the California we sell power to the  
16 customer.

17 COM. KENNEDY: Thank you, Madam Chair.

18 MS. NOWICKI: We also -- actually, let me clarify  
19 that.

20 Going forward, we just own and operate solar  
21 systems, let me put it that way.

22 COM. KENNEDY: Thank you.

23 CHMN. MAYES: Okay. Thank you very much.

24 We will go to -- let's go to SolarCity,

25 Rob Kelly. And I don't know if there is anyone else from

1 SolarCity that wants to speak, but I have Rob's slip.

2 MR. KELLY: Chairman Mayes, Commissioners,  
3 basically SolarCity wanted to comment on this particular  
4 item number in support of the schools. We have a lot of  
5 representation from the schools. We have, I believe,  
6 still three superintendents in support of this. I wanted  
7 to come out and speak on behalf of them, thanking them for  
8 support of this issue as well as the Commissioners for  
9 taking attention to this issue and trying to deal with it  
10 on an expedited basis.

11 Beyond that, I feel like I could be resourced to  
12 you for questions you may have. But if you don't have  
13 questions on this, I could save it for Item 24 and reserve  
14 what I would otherwise share with you on PBIs, UFIs and  
15 residential as opposed to commercial, but feel free to ask  
16 questions.

17 CHMN. MAYES: Okay. I think Commissioner Pierce  
18 has a question.

19 COM. PIERCE: Yes. Mr. Kelly, if we transfer the  
20 RECs to the schools, is that unfair to residential  
21 ratepayers?

22 MR. KELLY: You know, SolarCity is a very large  
23 installer of residential solar systems in the state of  
24 Arizona, if not the largest residential installer.

25 We have no intention of hurting that market.

1 That market is going to be a major part of our business  
2 moving forward and is today.

3 We don't believe that it's going to hurt that  
4 market this year or next year by moving that money. It's  
5 money that we believe, on our projections, and I believe  
6 APS's projections, is otherwise going to go unused. Even  
7 if there was a 100 percent increase from the first six  
8 months of the year into the second six months of the year,  
9 there is going to be plenty of money for the residences.  
10 We don't believe that market will be hurt, and we don't  
11 want that market to be hurt.

12 As I said, we are a residential solar installer  
13 as well as a commercial solar installer.

14 COM. PIERCE: But my questions is the RECs. We  
15 transfer the RECs.

16 MR. KELLY: So the ability for the school to use  
17 solar and then have those RECs apply as a residential  
18 package, I feel as if I'm not qualified to answer that  
19 totally understanding distribution of RECs.

20 Solar is a very dynamic industry, and I think  
21 Arizona is squarely in a place of probably being the  
22 biggest solar capital of definitely the United States, if  
23 not the world.

24 Where those RECs come from for me is not  
25 personally important, and Solar City's opinion on that I'm

1 not really sure. But getting more solar out there is the  
2 most important thing. And at this time where those RECs  
3 go, I'm not married to, but we just want more solar on the  
4 rooftops.

5 COM. PIERCE: Thank you.

6 CHMN. MAYES: Okay. Thank you.

7 Commissioner Newman has a question.

8 COM. NEWMAN: Yes. It's really just a greeting  
9 because we tried to talk yesterday, and I told you that I  
10 probably shouldn't talk because of ex parte interests.

11 MR. KELLY: I'm learning.

12 COM. NEWMAN: So you also are, as Ms. Nowicki is,  
13 based out of San Francisco; is that right?

14 MR. KELLY: Yes. Our company is based out of  
15 Foster City. I personally live in San Francisco, and we  
16 have an office here in Phoenix with I believe about 50  
17 employees to date.

18 COM. NEWMAN: And what is your role with  
19 SolarCity? Because I know you do -- you are a very  
20 important company, and we are glad that you are doing  
21 business in Arizona.

22 What is your role with the company?

23 MR. KELLY: Yes, thank you.

24 I have been with SolarCity for three years, so  
25 pretty much since the inception of the company. I am now

1 a national accounts representative. I have been working  
2 with a couple of local companies here in order to develop  
3 an Arizona solar schools program, a program specific to  
4 the schools that addresses the needs of the schools. So I  
5 have an intimate interest in and as well as a knowledge of  
6 what has been going on with Desert Mountain and Coronado  
7 and others.

8 COM. NEWMAN: I'm just glad -- I wanted to give  
9 you a chance to introduce yourself to the Commission, and  
10 we look forward to working with you in the future.

11 The question -- the very direct question that  
12 Mr. Pierce correctly asked before is really the crux of a  
13 mini debate that will happen when we hear his amendment --  
14 whether that is today or not I don't know.

15 I hear you say that you are not qualified to  
16 speak to RECs, but you do know what RECs are?

17 MR. KELLY: I absolutely do. Renew energy credit  
18 is the credit that you get for producing renewable energy.

19 COM. NEWMAN: And so with regard -- I know you  
20 are representing your company now, and your company is in  
21 all markets.

22 These RECs, or for that matter any other sort of  
23 incentive -- I see someone, okay -- they are important to  
24 maintain a residential market; right?

25 MR. KELLY: They are, absolutely. The value of

1 those RECs to the utility is very important in order to  
2 subsidize the cost of solar which is expensive today but  
3 going down every day.

4 When I first started three years ago, solar  
5 panels may have been \$4 per watt, and today they are often  
6 \$2 per watt.

7 So we are seeing that. So as the subsidies come  
8 down and the cost comes down as well, I think we will meet  
9 good parity and won't be required to have a subsidized  
10 program at all.

11 COM. NEWMAN: Okay. And you work out of  
12 California too. This is my last question. That is where  
13 you generate. We are basically hoping to see you expand  
14 it in Arizona because there is a lot of need here and a  
15 lot, as you said, a lot of sun to be harvested.

16 And since we have you here, I know you're only  
17 speaking to the school issue today, but if you would, if  
18 you have any advice for the commissioners with regard to  
19 some things that California has done that might have  
20 helped you bring your company to what it is today.

21 By the way, how many employees are you?

22 MR. KELLY: We are currently at about 400  
23 employees in Oregon, California, and Arizona. Arizona is  
24 probably our largest growing market, moving soon down into  
25 Tucson. And I know that our Phoenix office has open

1 requirements currently.

2 I guess one thing that I have heard today is  
3 different carve-outs for different sections of the  
4 marketplace and how that may or may not be appropriate.

5 I have noticed in California that we continually  
6 have different carve-outs for different parts of the  
7 marketplace. It seems to have been a success, whether it  
8 be low-income housing or public entities, commercial and  
9 residential.

10 It is such a dynamic market as things change.  
11 The American Recovery Act, accelerated depreciation, what  
12 might happen next year is often an unknown. So the  
13 ability for the Commission to address the dynamic market  
14 and be able to make changes and think today we might make  
15 a fantastic decision, that in the middle of 2010 it might  
16 be changed by a federal decision.

17 Well, the residential markets recently changed.  
18 There used to be 3,000 cap on the federal tax benefit, and  
19 it was removed. So it's hard to foresee those things.  
20 There are a lot of policy people in the room that are  
21 trying to keep their fingers on the pulse of that. But  
22 it's going to be dynamic. You will probably see a lot of  
23 people from solar industries in front of this microphone  
24 over the next five years as it grows in Arizona.

25 COM. NEWMAN: Well, I thank you coming from San



1 Francisco and representing your company. And as I said in  
2 the introductory remarks, we all support trying to get  
3 solar on schools. It's really a no-brainer; however,  
4 there are other issues at hand.

5 So I thank you for coming, and it's nice to meet  
6 you.

7 MR. KELLY: Thank you.

8 COM. NEWMAN: I couldn't really say that when I  
9 saw you in the hall.

10 CHMN. MAYES: Thank you for coming, Mr. Kelly,  
11 and I appreciate you being here and your comment and  
12 especially your observation that this is an exciting and  
13 dynamic marketplace in Arizona. And there were those when  
14 we were writing the Renewable Energy Standards who didn't  
15 think we should have a distributed generation carve-out at  
16 all, that there should be no acknowledgment of the need to  
17 spend a significant amount of this money on -- for the use  
18 by residential and commercial solar customers.

19 And luckily we passed a Renewable Energy Standard  
20 that quite frankly has the most aggressive distributed  
21 generation requirement in the country. I think it's twice  
22 as aggressive on a per kilowatt hour sale -- on a kilowatt  
23 hour sales level than any other state that has a solar  
24 carve-out or a distributed generation carve-out.

25 So it's quite frankly, in my mind, one of the few

1 things right now that makes Arizona stand out, and it  
2 suggests that we are a special place, especially when it  
3 comes to renewable energy.

4 Is that why you are doing so much business here?

5 MR. KELLY: Yeah. The average kilowatt hours per  
6 kilowatt that you would get here in Arizona compared to  
7 some areas in California, other states, Oregon, it's  
8 significantly better. And the more production that you  
9 can get, the better the economics works.

10 So, yeah, SolarCity envisions having many  
11 hundreds of employees over the next couple years. This is  
12 definitely a state that we will grow most of our business.

13 CHMN. MAYES: A state that has a good renewable  
14 energy standard for these types of businesses.

15 MR. KELLY: A fantastic renewable energy standard  
16 that allows us to do the business that we do.

17 CHMN. MAYES: Real quickly, you are doing the  
18 Coronado and Desert Mountain projects?

19 MR. KELLY: That's correct.

20 CHMN. MAYES: Okay. Can you give the  
21 commissioners a sense of how many other schools you are  
22 talking to or that are ready to move forward with solar?

23 MR. KELLY: Yes. We have a few partners that are  
24 here in the room that are working -- different

25 superintendents from different school districts. We are

1 obviously working with the Scottsdale Unified School  
2 District who has many more schools besides the two for  
3 this pilot program. So there alone you have 20-plus  
4 schools.

5 We are speaking to --

6 CHMN. MAYES: Do they want to put it on 20-plus  
7 schools? I'm trying to get a sense of how much we are  
8 talking about here. We are talking about moving  
9 \$20 million into the schools' program or into the  
10 commercial program for schools.

11 Is it \$20 million worth?

12 MR. KELLY: I would say absolutely there is an  
13 opportunity for \$20 million to be used for schools. I  
14 would say that with no reservation.

15 Whether it be on December the 31st of 2009 when  
16 we hit that exact \$20 million mark, I can't be sure. But  
17 there is way more demand than there is money.

18 I believe that we had some representation of that  
19 as 15 to 17 letters came in on Friday of schools that we  
20 have been working with, as well as Sundial and other folks  
21 that we work with, that are, you know, kind of waiting to  
22 see what happens here to understand whether or not they  
23 can comfortably move forward and sign SSAs, which are in  
24 question today.

25 CHMN. MAYES: Right. And probably almost more

1 looking at Item No. 24 than anything else; right?

2 MR. KELLY: Yeah, I think that is probably of  
3 interest to many people in the school districts right now.

4 CHMN. MAYES: Okay. Great.

5 Commissioner Pierce.

6 COM. PIERCE: Yes, I just wanted to -- my  
7 question about the RECs, if there is someone else from the  
8 company that can answer that from your company.

9 MR. KELLY: Yes. Actually I think we may have a  
10 different opinion on that.

11 COM. PIERCE: I decided to key that up for Ryan,  
12 because you do have a letter addressing that.

13 My point is that you have a letter to the docket  
14 and that maybe you could outline your position.

15 MR. HURLEY: Absolutely.

16 Madam Chair, Members of the Commission,  
17 Commissioner Pierce, I appreciate the opportunity to speak  
18 on behalf of SolarCity. Ryan Hurley from the Rose Law  
19 Group.

20 The company's position is that we are not -- we  
21 don't necessarily want to see the RECs count towards  
22 residential. If the Commission feels it's the best way to  
23 protect the ratepayers, we would agree with the  
24 Commission's decision on that.

25 So ultimately SolarCity, they are -- a big chunk

1 of their business, which is residential installations, and  
2 everything that would reduce that market in the long run  
3 is not in their interest.

4 Does that answer your question?

5 CHMN. MAYES: Yes. Thank you, Mr. Hurley, for  
6 that clarification.

7 Okay. Now -- and I want to make sure we get  
8 these guys in before we go to lunch. I have a couple of  
9 superintendents.

10 John Schmadeke from Agua Fria.

11 MR. SCHMADEKE: Good morning, Chairman Mayes and  
12 Commissioners. John Schmadeke, Agua Fria Union High  
13 School District superintendent.

14 Recently the Commission received a letter from  
15 Agua Fria District, from our superintendent and our  
16 present governing board president, in support of APS's  
17 proposal to transfer the residential credits to the  
18 schools for this year. And we certainly support doing  
19 what is right and fair for everyone in the community. And  
20 if it's a one-year transfer that allows us to get going,  
21 we are very pleased with that situation.

22 We are challenged in today's school climate by  
23 budgetary constraints. I want to give you some numbers on  
24 what we spent.

25 Last year, 2008, we spent about \$1.365 million on

1 electricity. In this past year ending June 30th we spent  
2 1.343 million. We were able to hold those costs nearly  
3 flat through a very expensive conservation program. And  
4 we have also gone green.

5 Our district has been pursuing LEED Silver in all  
6 its schools. We have -- the two LEED Silver high schools  
7 in the state are Agua Fria schools. We have a third  
8 school that is through permitting but is on hold for lack  
9 of funding and on hold because of economic conditions of  
10 slowed growth. So we are ready to break ground sometime  
11 in the future on a third LEED Silver school.

12 The proposed project is on Verrado High School,  
13 which is our latest LEED Silver school. It's about a  
14 15,000-square-foot building. The project we are looking  
15 at could harvest about 685 kilowatt peak from the flat and  
16 low-slope roof of that structure. That is a significant  
17 part of our electricity need.

18 In fact, the projection was that it would produce  
19 about 54 percent of our electric need for that school, and  
20 that would be a significant step towards a net-zero  
21 building, which is, I think, everyone's dream in the  
22 renewable building field.

23 We are in a partnership with Scottsdale and Deer  
24 Valley. We see that they are leaders in the field. They  
25 are doing projects independent of this proposal through

1 Mohave. But I think that there are many schools behind us  
2 that probably lack that experience and expertise to move  
3 quickly on their own and also lack the capital to do that.

4 So we are looking at this solar services  
5 agreement as a viable option that any school that has the  
6 desire to do this should be able to go forward if there is  
7 funding.

8 So I think that if this pilot project proves out  
9 then there will be a lot more schools that are waiting in  
10 the wings watching that will step forward.

11 CHMN. MAYES: Mr. Schmadeke, thanks so much for  
12 coming down here and taking the time out of what has to be  
13 a business day at Agua Fria School District.

14 A couple questions: One, it sounds like Agua  
15 Fria is very progressive and pretty advanced to begin  
16 with, and so would you have done this solar project with  
17 or without the ARRA money that is available?

18 MR. SCHMADEKE: It's not viable for us. Our bond  
19 money is basically committed, what is left of it -- we  
20 have pretty much been through it -- it's uncertain when  
21 and if we will be able to pass another bond.

22 So without this mechanism we are basically dead  
23 in the water to do anything on this. We have been  
24 dreaming about doing this for three years, waiting for  
25 everything to line up properly. I think we are almost

1 there. There is one little thing about getting the  
2 incentive from APS to make it work.

3 CHMN. MAYES: So are you -- I guess my question  
4 is, you will get the incentive from APS, which you  
5 probably would have gotten anyway, I mean, and certainly  
6 the items that are in front of us today will make sure of  
7 that.

8 But are you also going to get ARRA money, federal  
9 stimulus money?

10 MR. SCHMADEKE: No. That is not factored into  
11 this project.

12 CHMN. MAYES: It's not factored in? So you might  
13 have gone forward anyway.

14 Okay. Are you looking at federal stimulus money,  
15 which would probably help?

16 MR. SCHMADEKE: Basically it's through the school  
17 facilities board, and they are targeting small districts.  
18 We are too large to be considered on that.

19 CHMN. MAYES: That is interesting.

20 MR. SCHMADEKE: There is a limited amount of  
21 money, and they want to spread it across the state to  
22 basically small pilot projects.

23 CHMN. MAYES: Okay. And do you have an opinion  
24 about the up-front incentive versus a production-based  
25 incentive?



1 MR. SCHMADEKE: I think the up-front incentive  
2 makes it work for us. It gives us a lower rate initially.  
3 We are probably looking at 11-cent-per-kilowatt-hour range  
4 to get started with it. That would be guaranteed out for  
5 25 years.

6 We are currently paying about 10.75 cents per  
7 kilowatt hour. So this is just about tiny bit above what  
8 we currently pay APS, and it will be flat. And we are  
9 looking at rate increases in the future so we think this  
10 is a good move for us.

11 CHMN. MAYES: I agree. It is a good move for  
12 just about anybody who can afford to do it. That is why  
13 we are looking for those price decreases.

14 One last question, and then I will hand it off to  
15 Commissioner Pierce, but do you -- can you give us a sense  
16 of how you are going to incorporate this into the learning  
17 experience of your students? And then also, how the  
18 panels will be maintained going forward?

19 MR. SCHMADEKE: Sure. Absolutely.

20 We are looking at having a kiosk in the school  
21 where students can go look at it. We would like to have  
22 information from -- and most of the providers are offering  
23 some kind of web-based web site to go and watch the  
24 performance.

25 I think the plan in math and science courses, it

1 will be as far as assessing how the system is working. In  
2 fact we are doing that at Verrado with your control  
3 systems. We are making that available to the science  
4 teachers to go in and look at the performance of the  
5 system and how much -- when the chillers come on, how much  
6 they are putting out, what the demands are on the system,  
7 and how many kilowatts are going into the system, all of  
8 those factors.

9 And the billing can be a great teaching tool.

10 CHMN. MAYES: It's very exciting.

11 So you envision that web-based tool will allow  
12 your science teachers to incorporate it into their lesson  
13 plans?

14 MR. SCHMADEKE: That's correct, and in math also.

15 CHMN. MAYES: And in math. Great.

16 Commissioner Pierce.

17 COM. PIERCE: Thank you.

18 And I appreciate that your district is a bit  
19 ahead of the curve. I'm concerned about those who would  
20 like to do it and maybe are not aware of this proceeding,  
21 because I don't know how fair it is to shut the door after  
22 this year. But let's just talk about your district for a  
23 second.

24 You are obviously not getting all the things  
25 accomplished in this 2009 proceeding; there are probably

1 2010, 2011, and other things that you would like to have.

2 So in your mind would you like to see -- and I  
3 recognize that we have a set of rules and they are -- and  
4 the people relying on them, but you have heard some people  
5 say in public comment that they think that actually  
6 residential will absorb the money dedicated to it. And  
7 that will put schools on the -- they will have to compete  
8 as noncommercial, if they are going to compete.

9 Do you see -- as a school district that seems to  
10 have the financial wherewithal to do it, do you see your  
11 school district being able to move to the performance  
12 power incentive, the PPI?

13 MR. SCHMADEKE: Chairman Mayes, Commissioner  
14 Pierce, I think that going to the PBI increases our costs,  
15 which makes it hard -- really hard to sell to the  
16 constituents.

17 If we were currently getting power at 10.7 cents  
18 and we will have to pay 14 cents a kilowatt hour, that is  
19 going the wrong direction in today's environment. I think  
20 with the PBI the money comes later, the costs are higher  
21 for the SSA. So I just think the performance-based  
22 incentive is further out for us right now.

23 COM. PIERCE: Well, let me ask you this then: So  
24 you really don't want schools classified as  
25 nonresidential, but perhaps they are not residential

1 either. And I wonder about, is there a hybrid approach  
2 that you think that would work for schools?

3 This may be -- you know what, probably that is a  
4 yes, and I think that is probably something that would  
5 take a lot of dialogue and more discussion as we think  
6 about it.

7 But go ahead.

8 MR. SCHMADEKE: Chairman Mayes, Commissioner  
9 Pierce, I would like to see an even playing field that the  
10 schools can operate in that takes into account the credits  
11 are available and distributes them equitably.

12 It's hard to compete with large commercial  
13 installations that are playing way out -- way out front.  
14 And I don't really like to see tapping into residential  
15 either because I want to do it on my own home someday.

16 Pebble Creek is in Agua Fria district. It seems  
17 to be one of the epicenters. Most of those people in  
18 Pebble Creek are semiretired. They own their own homes  
19 and have big bank accounts and live on retirement income,  
20 so maybe there is a difference there.

21 But anyway, I just think schools should be  
22 considered when you go forth in future cases and account  
23 for them and allow them to get their foot in the door, not  
24 be overrun by solar farms and big commercial installations  
25 that snag up all the money.

1 COM. PIERCE: Thank you.

2 CHMN. MAYES: Thank you. I appreciate that too,  
3 and I am frankly not necessarily opposed to a separate  
4 classification for schools as long as we account for that  
5 in the funding of it. You know, maybe as we look at  
6 increasing potentially the Renewable Energy Standard or  
7 increasing our dedication to distributed generation or  
8 looking at different kind of incentives, like a feed-in  
9 tariff or something else, we can look at a separate  
10 category for schools.

11 But anyway, I really appreciate you coming down  
12 here and giving us a real-life sense of what the Renewable  
13 Energy Standard is doing.

14 MR. SCHMADEKE: Thank you very much.

15 CHMN. MAYES: Thank you very much.

16 Jim Migliorino from Deer Valley Unified School  
17 District.

18 MR. MIGLIORINO: Chairman, Members of the  
19 Commission, thank you for the opportunity to speak. I'm  
20 going to try and not echo some of the same comments that  
21 Mr. Schmadeke already talked about.

22 My comments today are intended to show interest  
23 by the Deer Valley School District for renewable projects  
24 on our schools that make economic sense.

25 Deer Valley has had a long-standing commitment to

1 conservation, and we can represent that in a number of  
2 ways, and I want to bore you with those details this  
3 afternoon.

4 We are currently working on 6 megawatts' worth of  
5 solar projects within our district. And we don't like to  
6 mince words; we are asking for special consideration,  
7 which quite frankly can be in the form of any of the  
8 comments that we have heard today.

9 Quite frankly, it is very difficult to finance  
10 these renewable energy projects. We have been working on  
11 these projects for upward of a year and still have some  
12 unanswered questions to date.

13 You know, most notably we don't qualify for the  
14 investment tax credits, the makers and the other  
15 opportunities that would be available to other people  
16 doing renewable energy projects.

17 In addition we feel unique to schools. We are  
18 able to use renewable energy projects as a learning lab  
19 for our students, and for Deer Valley that means the  
20 36,000 students that we serve are going to be able to  
21 learn from this endeavor. We are also partnering with the  
22 ASU School of Sustainability on our projects. So it is a  
23 very viable component to our renewable energy efforts.

24 So for these reasons we urge the Commission to  
25 approve the option for schools to be considered maybe

1 different than either residential or commercial just to  
2 provide options for Deer Valley to be able to find, I'll  
3 call it, the financial sweet spot of being able to fund  
4 these renewable energy projects.

5 CHMN. MAYES: Mr. Migliorino, you said in your  
6 comments on your slip that Deer Valley is working on  
7 6 megawatts of solar system; is that correct? How many  
8 different schools would that represent?

9 MR. MIGLIORINO: That represents seven particular  
10 sites. Six sites -- six are high school sites and one  
11 elementary site that we are currently working on. It's  
12 about 1 megawatt on each school.

13 And we have received -- we have been working with  
14 APS, and I want to give them a plug, because we are  
15 100 percent within the APS territory. But we have a  
16 standard offer. As one of those offerings we have -- we  
17 were also responding to the distributed energy  
18 solicitation, and so we have five projects within that for  
19 consideration. And then one project that would need to be  
20 funded with an SSA or PPA pending the outcome of the  
21 Commission's decision.

22 CHMN. MAYES: I see, so only one of them would be  
23 through an SSA agreement, but the rest went through there,  
24 small DG, RFP?

25 MR. MIGLIORINO: Madam Chair, I can't speak

1 specifically as to how they are going to be financed. If  
2 I could, then we would already have the panels on the  
3 roof.

4 CHMN. MAYES: But you're working on it. Okay.  
5 Commissioner Newman.

6 COM. NEWMAN: Yes. I'm curious about -- I was  
7 going to ask the superintendent this, but I was actually  
8 very surprised and happy to hear the price component from,  
9 not the Pebble Creek, the Agua Fria District, and so I  
10 thought it was market friendly.

11 But are you free to talk about pricing with us  
12 today or is that -- you are a public district, so I'm sure  
13 you are willing to share with the Commission, as well as  
14 your constituents, what kind of deal you will be getting  
15 on the price of power.

16 MR. MIGLIORINO: Madam Chair, Commissioners, we  
17 are looking at a target of about 11 cents per kilowatt  
18 hour for our project.

19 COM. NEWMAN: The same thing the Agua Fria  
20 representative talked about, which I find remarkable and  
21 very promising.

22 If other school districts knew about that price,  
23 that is something that we need to take recognition of  
24 because a lot of people -- I can't tell you how many  
25 people, even representatives of rural co-ops, tell us that



1 they can't do it, they can't get to that price. And it's  
2 important that we take recognition of that, that you get  
3 that price up here in Phoenix. You know, I wonder if it's  
4 the same pricing in rural areas as well, which might be a  
5 reason why the school facilities board is taking some  
6 recognition of rural -- smaller districts, if you will.

7 But don't you think that is amazing, that you  
8 will able to get that price that will really help your  
9 school districts keep teachers, keep other parts of your  
10 budget in place?

11 MR. MIGLIORINO: Madam Chair, Commissioners, yes,  
12 I do think it's amazing. Certainly as the funding has  
13 changed for schools, this has become more of an interest.  
14 It's always been an interest for us, but I believe the  
15 11 cent does speak to the economies of scale for our  
16 projects being the size that they are.

17 So I don't know that that would necessarily be  
18 the case for a smaller project, but I couldn't speak to  
19 that because we haven't entertained any offers of a small  
20 size.

21 COM. NEWMAN: Well, I thank you for coming today.

22 I have one question for the Chair. She will have  
23 to get used to this, I guess, but it's sort of what we are  
24 allowed to do.

25 I want to ask you a question about not only -- we

1 had mentioned feed-in tariffs before perhaps, but a goal  
2 that may be very much in the future of this Commission, or  
3 at least we have been talking about, perhaps increasing  
4 the Renewable Energy Standard, going out and discussing  
5 this with the public. And since you are here, I want your  
6 comment and the Chair's comment.

7           If we were to increase the Renewable Energy  
8 Standard -- if we were, would that help schools? And in a  
9 sense of, would we be able to have more incentivization for  
10 school districts to participate as well?

11           CHMN. MAYES: Well, I think that would depend on  
12 how that was structured, and I know in our Staff meeting  
13 we will be talking about a proposal that I'm putting  
14 forward on that. I think it's similar to the one you have  
15 made about going out and talking about these issues.

16           But if it's okay, I think we should limit the  
17 discussion to the matters before us. So certainly it's  
18 something that we should continue to talk about.

19           And, as I said, you know, I think the interest  
20 that we are seeing from schools does argue in favor for  
21 the Commission making sure and doing everything we can,  
22 which I think we are doing today, to see that they can do  
23 these projects.

24           Because really, when you think about it -- you  
25 know, it's interesting we are sitting here making all of

1 these connections, but when you think about it, you know,  
2 Deer Valley School District is going to expose 36,000  
3 human beings to solar energy and to renewable energy, many  
4 of whom are way ahead of us on some of this stuff. They  
5 are so far ahead of people our age it's crazy. And they  
6 are going to demand -- that generation is going to demand  
7 a sustainable energy future and they are already doing  
8 that.

9 But when you think about it, those people in ten  
10 years' time are going to become homeowners, and they will  
11 be demanding a residential program that is robust enough  
12 to allow them to do solar. And hopefully in ten years  
13 these incentives will go down and the subsidies will go  
14 down.

15 Would you agree with me?

16 MR. MIGLIORINO: Madam Chair, I would.

17 CHMN. MAYES: And do you think your students are  
18 already excited about this idea? Do they know about it?  
19 Do they know that you are looking at this?

20 MR. MIGLIORINO: Madam Chair and Commissioners,  
21 yes, they are aware of the projects, and they are one of  
22 the catalysts as well as our constituents and our  
23 governing board on causing us to look at projects like  
24 this.

25 CHMN. MAYES: What are they telling you?

1 MR. MIGLIORINO: Well, they are telling us, quite  
2 frankly, that they want to see projects like this. They  
3 have an expectation. It's almost a given that we should  
4 have them, in their minds.

5 CHMN. MAYES: That's very interesting. Thank you  
6 very much for being here.

7 Do we have any other school officials? I don't  
8 have any other slips from school officials, but -- nope.  
9 Okay.

10 Drew Zogby from Alpha Energy. Drew.

11 MR. ZOGBY: Thank you, Commissioners, Madam  
12 Chair, for inviting us to speak today.

13 I'm Drew Zogby, president of Alpha Technologies,  
14 Incorporated. We are out of Washington state and are  
15 planning to open our Alpha Energy headquarters here in  
16 Arizona.

17 And what I was asked to do on behalf of Ari SIEA  
18 was to sort of give a mention of what has been going on  
19 lately with the elimination of funding for commercial  
20 projects and to support APS's request for an increase in  
21 funding to allow the commercial business to get back on  
22 track.

23 So we have personally experienced a shutdown on  
24 four major projects that had to be cut back because of the  
25 lack of PBI funding. And with a transition to the UFI

1 funding we are able to build out these or get these  
2 projects back on track at a much smaller scale. I wanted  
3 to make it clear as you look at this proceeding that the  
4 commercial industry right now is not moving at the pace it  
5 should be. It's a bit stalled, and this additional  
6 funding will help tremendously to get things back on track  
7 in the Arizona market.

8 CHMN. MAYES: Thank you, Mr. Zogby. I appreciate  
9 that.

10 Do you have a comment, you know, about the  
11 Staff's proposal on depreciation and the incentive on the  
12 PBI program? Because, you know, it does seem to me that,  
13 or at least reining it in a little bit, it seems to me we  
14 have to be careful about not allowing this sector to  
15 become overheated. I mean, in the one sense it's very  
16 exciting that we have all of these commercial projects. I  
17 mean, it's gotten so aggressive that it's almost crowding  
18 out the schools, which are supposed to count as  
19 commercial, but yet you are suggesting that it's not.

20 Is it not moving forward because the funding  
21 right now is tapped out?

22 MR. ZOGBY: Part of it is that. Part of it is  
23 the unpredictability of it so we don't know when we make  
24 presentations to clients, to set their expectations for  
25 time frames and to have actual firm pricing, either on a

1 full buyout project or in partnership with a third-party  
2 PBI provider. So that uncertainty has slowed the progress  
3 down.

4 Also the economics right now are not quite where  
5 maybe some of the other speakers have represented. It  
6 would be difficult to deliver a 11 cent project right now.  
7 To just about anybody I would say that would be a pretty  
8 false expectation for people to leave the room with.

9 We are getting to this point in the industry  
10 where costs are coming down, which is great. The material  
11 cost is over 50 percent of the cost of a project, and with  
12 those coming down, it's allowing us to provide more  
13 aggressive rates and to have better payback scenarios for  
14 our clients.

15 But the PBI right now as it exists today allows  
16 us to give a fairly compelling payback story, but it still  
17 goes beyond five or seven years. And when you get into a  
18 commercial job where you are into that type of payback  
19 scenario, that ability to compete with other capital  
20 projects that enterprise is looking at lowers the  
21 expectation for a solar job to go through in near term.

22 CHMN. MAYES: Thank you.

23 Commissioner Newman.

24 COM. NEWMAN: Yeah, this is really information  
25 seeking, and thank you for coming today.

1 I'm curious about the 11 cents for the school  
2 districts, and like I said, I was surprised to hear that  
3 number. A lot of times I can't get that number out of  
4 folks for proprietary reasons.

5 But what is the reason, you know, for the  
6 disparity in that number? When I talked to some of my  
7 advisors who are personally advising me, they tell me that  
8 11 cents is real or in that range and that you can get  
9 that for your customers. I'm just curious about the  
10 market and why disparity exists.

11 Is it disparity exists because you are trying to  
12 promote through school systems, getting the best bang for  
13 the buck, sort of the future that the Chairwoman outlined?  
14 Is that the reason, or -- you know, I don't want you to  
15 disclose your numbers necessarily if you don't want to,  
16 but why can't everyone be getting that number if certain  
17 entities can?

18 MR. ZOGBY: Well, first of all, I can only  
19 speak -- and I appreciate the question, Commissioner -- I  
20 can speak on behalf of what we have seen.

21 And first of all, each project is very different.  
22 These are still custom projects that are difficult on a  
23 commercial scale to make into a cookie-cutter type of  
24 approach.

25 But for the most part if you take into account

1 the production capability that the system is going to  
2 deliver in a real-time case against the total cost to  
3 install and operate and maintain a system, we have just  
4 not been able to get to that level yet in our analysis.

5 And we have built projects around the country of  
6 fairly significant size, and the range direction is there.  
7 If you want to say in range can I see it coming, yes, but  
8 is it here today, not on our models.

9 COM. NEWMAN: So that would suggest that the  
10 Commission be sensitive to, you know, further  
11 incentivization or increasing standard -- the Renewable  
12 Energy Standard even more to sort of help get to the  
13 11 cents now so we can really harvest all this sun that  
14 people are expecting us to do.

15 MR. ZOGBY: Yes. Chairman Mayes, Commissioner  
16 Newman, I would agree to a degree with that.

17 I think the most important thing now, though, is  
18 sort of a predictable plan and a proper funding level and  
19 not an erratic funding level. I think we are sort of  
20 getting into that uncertainty, which is problematic when  
21 you are trying to bid jobs and hold a firm bid for the  
22 duration of time it takes to get the applications in, say,  
23 to APS and then go through the zoning and permitting to  
24 build the job. There are things that change midstream,  
25 and that makes it very difficult. So therefore you put a



1 premium in, in our case, for instance, to cover the  
2 uncertainty.

3 Now, once we get, I think, maybe another 12 or  
4 18 months down the road, the number of systems grow, the  
5 experience curve and know-how becomes much better in the  
6 area, then we become more predictable, and then we will be  
7 able to see competition drive the cost down. And with the  
8 way the APS application process works now, where you can  
9 actually request a lower PBI if you so choose as a system  
10 integrator, that market-driven force will sort of equalize  
11 the situation and get us to what the real numbers should  
12 be.

13 COM. NEWMAN: And since I have never met you  
14 before, I'm glad you are here.

15 Just describe your company so I understand a  
16 little bit more what you do and so -- because I'm  
17 interested in what you do.

18 MR. ZOGBY: Well, Alpha Technologies is a private  
19 company. We are 30 years in our existence. We are in the  
20 power conversion and energy storage business, primarily in  
21 the telecommunication business. So we supply, for  
22 instance, locally Cox Communication with all the power  
23 supplies that run and back up the cable networks here and  
24 also nationwide, really around the world.

25 An extension of our business is the renewable

1 energy sector, where we see as our clients Southeast  
2 Solutions, to help them with their business goals of  
3 having more managed energy costs and to be able to  
4 contribute or take advantage of a renewable energy  
5 strategy. We are supporting them by creating a new  
6 business enterprise, which is Alpha Energy, and we are  
7 doing system integration and actually a product  
8 development in the renewable energy space.

9 Q And new job creation -- this is my last  
10 question -- with regard to your prospects and, you know,  
11 we are accused a lot of being overactive in this area of  
12 creating jobs in the business sector. I just want to -- I  
13 just want for the record to, you know, understand what  
14 this means for our economy, companies like yours coming  
15 in.

16 MR. ZOGBY: Well, not to tie together two  
17 different things, but the recent legislation, 1403, sort  
18 of incentivized renewable energy companies into the state  
19 was something that we were watching closely and behind.  
20 Because we feel there are a lot of choices across the U.S.  
21 now to place the headquarters in a dynamic renewable  
22 energy business. And with the solar resources that you  
23 have in Arizona, it was certainly the most attractive to  
24 us, hopefully with the backing of the legislature and then  
25 with business-friendly and reasonably friendly policies of

1 Commission.

2 So, yes, we are targeting to establish a world  
3 headquarters for energy business here over the next  
4 12 months, and it should generate, you know, quite a few  
5 fairly high-paying jobs that meet the intentions of 1403  
6 with engineering and project management, designers and the  
7 like.

8 So we hope to be a vibrant part of the Arizona  
9 business community here.

10 COM. NEWMAN: So you are one of the companies  
11 that GPEC was representing in front of the legislature?

12 MR. ZOGBY: Yes, we are one of those.

13 COM. NEWMAN: Thank you. Nice to meet you.

14 MR. ZOGBY: Thank you for having me.

15 CHMN. MAYES: Thank you, Mr. Zogby.

16 And you were the company that did the Cox solar  
17 system; is that correct?

18 MR. ZOGBY: Yes. We designed and built the  
19 system at the Cox headquarters over in Deer Valley, the  
20 carport structures with the solar panels on top.

21 COM. NEWMAN: That is why I sort of recognize you  
22 because I think Mr. Stump and I and Chairman Mayes were  
23 there. I thought I recognized your face.

24 MR. ZOGBY: And we just finished a very  
25 significant job at the Arizona Game and Fish in that area

1 as well.

2 CHMN. MAYES: Thank you very much.

3 MR. ZOGBY: Thank you, Chairman Mayes, and the  
4 rest of the Commission.

5 CHMN. MAYES: Thank you very much. We have two  
6 more public commenters, and I would like to try to get  
7 that done before we break for lunch, and then we will come  
8 back and finish up the items.

9 Bud Annan, Bud.

10 MR. ANNAN: Chairman, Commissioners, my name is  
11 Bud Annan. I'm co-director of the Science Technology  
12 Institute at the Science Foundation Arizona.

13 I also was hopefully instrumental in getting the  
14 first EPS implemented in 2001, and I am here to  
15 congratulate you all for staying the course on the REST  
16 and to urge you to stay the course.

17 Recently a newsletter came out -- in fact it was  
18 yesterday -- that said there are 350 policies in renewable  
19 energy across this country, 750 financial incentive  
20 programs. That is a lot. That is a lot for each  
21 individual firm to kind of sort through, and if every one  
22 of those 750 policies change in midstream, you know, we  
23 have 750 times whatever.

24 So I am one for just taking a step back and  
25 taking a look where we are and saying, do we really need

1 all of this? And let me start with my neighborhood.

2 We are no longer early adopters up there. These  
3 are educated people. They go out -- and I would urge each  
4 one of you to do this, to contact your local installer and  
5 say, give me a proposal. The proposals that I have  
6 seen -- first of all, Google your roof and it will tell  
7 you where it will be placed on your roof, and then it will  
8 tell you what you're paying during the highest peak demand  
9 part of the day. And say, okay, now if you want to cut  
10 that demand by 50 percent, here is the size of the system  
11 you need, here is how much money you will save, and these  
12 people wind up being educated.

13 So then they come to me and say, should I buy an  
14 air conditioner with a \$750 rebate with APS or should I  
15 put solar on my roof? So we kind of walk through that.

16 And these people -- and trust me, these are not  
17 early adopters; these are people who basically hate  
18 government. They are basically making this a decision  
19 based on what is good for them. And they have become real  
20 proponents in the neighborhood. And they talk to their  
21 neighbor. That neighbor then gets a bid, and it snowballs  
22 from there.

23 So I just think that you have to be very careful  
24 about where you are going in the long term. This  
25 residential policy is great. It's a very strong program.

1 It's known nationally, and I would not like to see it  
2 tampered with really at all. Okay?

3 But then, so you have got this school issue. I  
4 think the school issue can be dealt with. I think you do  
5 it as a pilot effort on a one-time basis to see what works  
6 and what doesn't work. But I see a greater understanding  
7 about what tools are available to schools in order to do  
8 solar energy installation.

9 There are corresponding -- the Treasury  
10 Department just recently issued the ability for these  
11 schools to apply for grants that offset other costs. You  
12 know, there are all kinds of vehicles that are available  
13 to them.

14 I really would like to see what the school  
15 facilities board has in mind. I don't know. We did hear  
16 that one where it's going to be the rule of schools, but I  
17 think you need to be educated about what are the tools  
18 that are available for schools over the long term.

19 My third point is, I am very interested in moving  
20 this portfolio standard forward so that it begins to save  
21 costs, not add to costs. So one idea that I'm thinking  
22 about as I sit here is, schools are in neighborhoods,  
23 right? Neighborhood have homes. Okay. Maybe that ought  
24 to be a target for a real marketing program that the  
25 neighborhood that surrounds the school ought to have some

1 incentives to put solar on their roofs.

2           If that is so, then we have a concentrated part  
3 of a neighborhood that now is solarized and then maybe APS  
4 can come in and say, now, do I really need a transformer?  
5 We begin to look at where the cost savings can come from  
6 if you begin to concentrate this stuff instead of placing  
7 it at various places around the state.

8           So those are my three points. The first point is  
9 stay the course. Don't make changes willy-nilly every  
10 time somebody comes up here and looks angry.

11           And I think we're moving into a stage where we  
12 are no longer early adopters but you are looking at an  
13 educated public. And that is a good thing. When a person  
14 understands what their kilowatt hour usage is, that helps  
15 you, because in the end they will make the right decision.

16           Be flexible. Try to understand how the schools  
17 can be brought on board maybe early on, but then have a  
18 long-term strategy for putting solar on schools.

19           And thirdly, keep a long-term focus on this  
20 thing, because I do think in the end it's about saving  
21 money, not about adding more costs to our system.

22           I'm available to answer any questions.

23           CHMN. MAYES: Mr. Annan, those are, as usual,  
24 very thoughtful suggestion for the Commission, and, you  
25 know, one of the things I have been thinking about and I

1 haven't floated with my colleagues yet with regard to all  
2 of this, is that we really -- I guess we sort of are  
3 hashing it out right now within the context of this  
4 discrete proposal, but it really, I think, belongs in  
5 either a more generic discussion or a discussion of the  
6 2010 implementation plans.

7           And one of the things -- and, you know, when you  
8 look at those implementation plans, especially APS's, it's  
9 very, very detailed. You and I have discussed this  
10 before. It's very complicated, a lot of interesting  
11 policy or proposals in that one implication plan, let  
12 alone the other utilities.

13           I was wondering whether we would want to do a  
14 one-day workshop on the implementation plans where we  
15 could discuss ideas like yours and then decide whether we  
16 want to adopt them or not adopt them in APS's 2010  
17 implementation plan.

18           What do you think about that?

19           MR. ANNAN: Madam Chairman, I strongly support  
20 that. In my opinion, that is one of the more denser  
21 documents, if that is the right word. I'm not a smart  
22 guy, but I have to tell you, I found it very, very  
23 difficult to work through it.

24           CHMN. MAYES: Okay. Well, and I look forward to  
25 us talking more about that in the future.



1 Commissioner Newman.

2 COM. NEWMAN: I know we are talking about APS,  
3 but we just -- it's all fresh in our mind yesterday's  
4 discussion regarding rural co-ops as well and rural  
5 implementation of school assistance as well as residential  
6 assistance, but I find your comments very -- and really  
7 possibilities for rural implementation as well.

8 You know, we are talking about the median income  
9 being around \$50,000. Some places -- many places in rural  
10 Arizona, the per capita income is much less, around,  
11 believe it or not, 25- or \$30,000 a year, which makes it  
12 somewhat unaffordable in today's market for residentials  
13 to pick it up, but perhaps schools can pick it up.

14 But your design there was to sort of foster  
15 neighborhood community participation, which was very fresh  
16 in our minds yesterday. To be honest with you, for me it  
17 was hard to get through to the executives that were before  
18 us yesterday in terms of opening their minds to that. In  
19 fact, I would describe their interaction sort of a bit  
20 obstinate.

21 What would you recognize for rural  
22 implementation, just while I have you here today?

23 MR. ANNAN: Chairman Mayes, Commissioner Newman,  
24 again, I think this whole neighborhood thing really works.

25 Take, for example, the City of Maricopa. You

1 know, where is the City of Maricopa in the overall scheme  
2 of electricity? They probably represent the new growth  
3 areas, right? But they are not in an APS territory. They  
4 are not in a Salt River territory. They are in an  
5 Electric District No. 3.

6 So what does that mean going forward? Will it  
7 become part -- you know, where are they moving to, and how  
8 can the Commission help that whole city move forward in a  
9 sustainable way?

10 I think there is an answer there, but you have to  
11 have the dialogue and the dialogue over and over and over  
12 again.

13 COM. NEWMAN: Thank you, Bud.

14 Michael Neary.

15 MR. NEARY: Good morning -- good afternoon. My  
16 name is Michael Neary. I am president of Arizona Solar  
17 Energy Industries Association, and my company is Desert  
18 Sun Solar.

19 You know, I appreciate some of Bud's comments  
20 about finding the ability to accommodate some of the  
21 schools and the other entities that want to do solar.  
22 Right now we see sort of a logjam in the commercial or the  
23 nonresidential side, and we kind of believe that there are  
24 other solutions that will help free up this logjam and  
25 break it loose and allow more projects to move forward.

1           That said, we support raising the cap to  
2 \$220 million. You know, if we had never seen a change of  
3 lot provision in the contracts, we would not be here today  
4 because the program would have gone on as it should have  
5 gone on, and we would have -- this long-term commitment  
6 would be there. But there is always a fear of a program  
7 being eliminated and leaving someone holding the bag, and  
8 that was the reason why we had to do the \$77 million cap  
9 and now we are looking at the \$220 million cap.

10           But that being said, we, you know, support the  
11 \$220 million level and urge the Commission to approve it.

12           We do feel that the incentive level should remain  
13 unchanged and even for schools should be at 250. The  
14 system is built -- was built to the uniform credit  
15 purchase program working group, and there is that  
16 calculated or ranking -- project ranking calculator that  
17 allows companies to ask for lower incentives if they feel  
18 that their projects can move forward with that. That was  
19 seen as a natural method of lowering the costs of the  
20 projects and lowering the cost of the incentives. And  
21 there is also a 2011 date that the incentive will be  
22 reduced naturally.

23           So we urge you to keep the incentive at the same  
24 level.

25           And also we believe that any retroactive change

1 would be detrimental to the projects that are currently in  
2 the queue. That may prevent some of those projects from  
3 moving forward. At a very minimum it will make people  
4 have to resubmit and refigure a lot of these projects.

5           You know, we have worked -- we met with APS and  
6 other stakeholders to try to figure out how we can free up  
7 some of these nonresidential-side problems. We feel that  
8 there are a number of things we can do, whether it's just  
9 to make sure that the projects that are getting -- are  
10 submitting reservations are firm projects. And I have  
11 heard from some of our members that they are being  
12 contacted by companies who have reservations and they are  
13 asking them to provide bids to them on these, because they  
14 have a reservation. That would tell me that there are  
15 people making reservations that really don't have all of  
16 their ducks in a row before they make that reservation.

17           So we would look forward to working, whether it's  
18 a working group at the Commission or working just with APS  
19 and other stakeholders, to figure out how we can make  
20 changes to the program. It's obvious that this program  
21 does need some flexibility. You know, we need to see this  
22 -- the ability of the program to, you know, I guess kind  
23 of move around on its feet in order to accommodate some of  
24 the situations that arise.

25           As far as the reallocation of funds go, we feel

1 that a reallocation of funds so the schools can do solar  
2 is a fine thing. We think it should be a one-time-only  
3 allocation -- reallocation of funds, and we do feel that  
4 the RECs should not count towards the residential market.

5 One of our fears at the Uniform Credit Purchase  
6 Program workshops is that a builder would come in and all  
7 of a sudden make reservations for thousands and thousands  
8 of homes. And although we probably aren't going to see  
9 that in today's market, there are still builders that are  
10 still interested in both solar water heating and  
11 photovoltaic systems for their homes, and we need to make  
12 sure that the residential program would move throughout  
13 the end of the year without any interpretation.

14 It would really be disastrous for companies to  
15 all of -- for the program to run out of funds on  
16 December 1st or so, and that might cost some people their  
17 jobs. That would not be a good thing to happen at the end  
18 of the year. And it would hurt the growth of the  
19 companies that are really coming into the market and have  
20 been in the market and are hiring new employees.

21 That really is basically all I have to say. I  
22 think that as long as we can continue the program, we need  
23 some flexibility and transparency in the program so  
24 someone can be sure that it's moving forward. We have a  
25 successful program. It needs a little bit of tweaking.

1 I would be happy to answer any questions.

2 CHMN. MAYES: Commissioner Pierce.

3 COM. PIERCE: Mr. Neary, it's always good to see  
4 you.

5 Since the commercial side of the program is  
6 oversubscribed and it will be -- I think there is -- yeah,  
7 I think APS said they have \$250 million and we are going  
8 to approach -- we will set this, if we pass it, at 220.

9 Don't you think it makes sense to look across the  
10 board on this, to look at these incentives now -- well,  
11 really soon as opposed to letting the natural course that  
12 is set in the REST? But really look at these and start  
13 making those adjustments so that we can -- we don't have  
14 to come and have to make adjustments like this, which  
15 really committed a lot of money out a long time when  
16 obviously the incentive is more the advocate.

17 Don't you think it would be wise to start looking  
18 at that incentive and start doing the calculus to make  
19 that work?

20 MR. NEARY: Well, it always helps to take a look  
21 at the incentive and the level you need, but to make  
22 premature adjustments can hurt the market and can --  
23 especially when we do have a mechanism in there to really  
24 have more of a free market in solar with the RECs by, you  
25 know, allowing companies to come in at a lower incentive

1 on their own.

2           If you feel -- if a company feels they can get a  
3 project through and it will have an adequate return on  
4 investment on a commercial project for a company, they can  
5 always submit a lower REC level. And in a way it's sort  
6 of a natural method of lowering that incentive. And, you  
7 know, we do have a 2011 time frame for reducing the  
8 incentive. I just would not want to see the market  
9 interrupted by a premature reduction in the incentive, and  
10 we know that costs are declining and feel that's the  
11 natural method of reducing that incentive, through the  
12 calculator would be the best way to go.

13           COM. PIERCE: Well, I think we talked about some  
14 things, and we set in stone -- maybe we shouldn't move  
15 this at all. Maybe we shouldn't approve 220 and say look,  
16 the mechanism is in place for everybody to be able to back  
17 and let them compete for a much lower incentive. And, in  
18 fact, the rules were set for that.

19           So why shouldn't we just do that then?

20           MR. NEARY: Chairman Mayes, Commissioner Pierce,  
21 we need the 220 cap in order for APS to feel comfortable  
22 that the law will not change and leave them holding the  
23 bag.

24           There are two problems here. One is there is an  
25 oversubscription and which we believe could be alleviated

1 through other means by taking a look at the current  
2 reservations that are -- have been made and seeing how  
3 firm those reservations are.

4 Like I said, you know, APS has said there is  
5 about 13 percent drop in people that drop out of the  
6 reservation process. Other states have seen them as high  
7 as 65 percent. So we don't know where that number is.  
8 And we won't really know -- and we really can't know  
9 unless we see who was making those reservations and how  
10 firm those projects are.

11 But, you know, we definitely need the  
12 \$220 million cap, the raise of that cap in order for APS  
13 to be comfortable with moving forward with the program.  
14 And, you know, we look forward to dealing with the other  
15 side of the issue, whether it be ultimately reducing the  
16 incentive or freeing up the logjam in other manners.

17 COM. PIERCE: Well, you know, I want to see  
18 flexibility. It would be nice to be able to have that  
19 written in and be able to deal with every circumstance.  
20 And I think we find, not just in the renewable energy REST  
21 rules, it's in any loss of someone's right. You generally  
22 can't account for everything and you have to come back.

23 But I'm really kind of concerned, you know, when  
24 you have that -- when the program is that advantageous for  
25 people to take part in, that tells you something. I hope



1 we are not spending a dime marketing this program. It  
2 seems to market itself.

3 I just want to see the level of flexibility to  
4 meet how the economics of this really works in the future.  
5 I just want to see those come together. I think there is  
6 an expectation of what people are going to pay in a  
7 tariff, and it's going to go up. And I think that with  
8 the best bang for the buck -- and they don't want to  
9 overpay to incentivize someone. I, as a ratepayer, don't  
10 want to overpay to incentivize someone to participate when  
11 it would take less and they would be glad to participate.

12 So I am pleased that it's oversubscribed. I'm  
13 just worried about what that cost would be in what we  
14 probably could have saved by reducing the overall  
15 incentives and pushed that along and kept it within the DG  
16 but just got more out of it.

17 Thank you.

18 MR. NEARY: Chairman Mayes, Commissioner Pierce,  
19 I agree with you more than you think, but I think that we  
20 are seeing some -- we are seeing a constantly changing  
21 market.

22 Right now on the residential side we are seeing  
23 more and more solar water heating coming through, and the  
24 lower cost of water heating is increasing the available  
25 funds for other consumers to do photovoltaics. And the

1 same thing is slowly happening on the commercial side as  
2 more and more companies that use hot water are realizing  
3 that hot water systems are a good option, and that lower  
4 cost of the PBI for water heating systems will also free  
5 up money.

6 So I think we would look forward to taking a look  
7 at the incentive structure and at the market, the types of  
8 systems that are being sold and the costs of those systems  
9 and working to come up with a plan that will meet your  
10 goal of seeing that this money is adequately spent and we  
11 are not overincentivizing and at the same time making sure  
12 the companies are adequately incentivized in order to sell  
13 these systems.

14 COM. PIERCE: Thank you.

15 CHMN. MAYES: We need to take a lunch break, and  
16 Kate needs a break. So we still have more public comment,  
17 and we have got two more. They seem to be trickling in as  
18 we go along in.

19 Let's come back at 2:05.

20 (Whereupon, a recess was taken from 1:00 p.m.  
21 until 2:06 p.m.)

22 CHMN. MAYES: All right. So we will go back on  
23 the record. Let's go ahead and get started again.

24 We have four more public comments slips, so we  
25 will get started with those. I know I have a couple

1 Commissioners who will be coming down in a bit.

2 But we have Dan Hoskin from United Sustainable  
3 Energy.

4 MR. HOSKIN: Madam Chairman, Commissioners,  
5 thanks for hearing me.

6 We -- our customer base are hundreds of small or  
7 medium business owners, and I'm in favor of increasing the  
8 pool of money available from APS; however, I'm not in  
9 favor of you changing the rebate process or the limits,  
10 and this is why.

11 Many of our customers depend on the 50 percent  
12 bonus depreciation that ends at the end of the year and  
13 they have spent money to get engineering done to get  
14 projects ready so if they do get a rebate this  
15 subscription period that they will be able to complete the  
16 project this year and take advantage of the 50 percent  
17 bonus depreciation.

18 That bonus depreciation has allowed them to  
19 submit reservations under what you're suggesting the  
20 targets would be. They couldn't do the project at all at  
21 your targets without the 50 percent bonus depreciation.  
22 So under the tepid results of reset changing the limits  
23 from what they are is that they might not finish the  
24 project in time.

25 And I am afraid that if you change it, that

1 instead of having the rebate due at the end of August and  
2 maybe the decisions made at the middle of September, we --  
3 you may decide to extend that two or three weeks, which  
4 will kill us being able to finish by the end of the year.

5 Our market segment is an incredibly influential  
6 market segment. One dentist tells all the other dentists  
7 in a study club. One self-storage owner tells everybody  
8 at his monthly meeting. They tell their customer base.  
9 Just as schools are for the next generation, these small  
10 business owners are for this generation.

11 So I am just concerned that if you change the  
12 limits that it might cause us to have to have everybody  
13 reply to meet those limits and that APS will not be able  
14 to choose who to give the rebates to until it's too late  
15 to take care of the 50 percent bonus depreciation.

16 Any questions?

17 CHMN. MAYES: Thank you for those comments,  
18 Mr. Hoskin. Thank you for your outreach to this whole  
19 business community. And we will ask that question when it  
20 comes time or inquire about that.

21 Lori Glover has decided to do make comments.

22 MS. GLOVER: Good morning, Commissioners,  
23 Chairman Mayes. My name is Lori Glover. I'm the founder  
24 of a company called Solid Energy, and I have been here  
25 probably since day one of the REST -- excuse me -- the EPS

1 or whatever it used to be called. I haven't been around  
2 to meet the new commissioners yet, but -- except for  
3 Mr. Newman came to an open meeting.

4 I have been listening this morning and I wanted  
5 to bring up something that frankly had not occurred to me  
6 and perhaps to anyone in the room. I was assisted in  
7 writing the Ari SIEA comments. And I haven't been able to  
8 figure this out since I found out about APS being out of  
9 money, and this issue is addressed to the cap.

10 When we work the thousands of hours on the  
11 program and through the working group we are very careful  
12 to divide money during the year so that no business would  
13 be stalled and not have any projects later in the year.

14 When APS announced it to us in a meeting to a  
15 number of us, I don't think people really understood what  
16 was being said: We are out of the money.

17 After the fact it was -- there was a shock factor  
18 involved. How could we have missed this new issue of the  
19 cap dividing the money amongst the time period? So if we  
20 had a \$77,000 lifetime cap, why didn't we divide it  
21 amongst this auction period just like we did with the  
22 other money to ensure that we had a program that continued  
23 throughout the year?

24 So here I'm sitting with two reservations pending  
25 at APS and can't do projects this year, you know, unless

1 we raise the lifetime commitment. And I think maybe for  
2 next year we probably should divide the lifetime  
3 commitment cap amongst the auction periods just like we do  
4 with the regular money.

5 So I'm really just here to say that this is  
6 pretty critical to businesses like mine. I'm a solar  
7 thermal manufacturer/installer, and unlike the  
8 photovoltaic industry, we are very new to the market. And  
9 we are kind of just getting going. To tell us we can't do  
10 any more business through the end of the year is not going  
11 to -- you know, I'm going to have to lay off the people  
12 that I just hired, and that is not -- and one of my  
13 customers is not going to get money for a system that is  
14 already being installed, which is not going to be a good  
15 thing.

16 So I just want to say, I know we have gotten off  
17 on the school things, but I didn't want us to lose sight  
18 of -- to me this is a critical, critical issue that I  
19 would like the Commission to act on today so we can all  
20 move forward with projects sitting there, at least get  
21 going.

22 Thank you.

23 CHMN. MAYES: Thank you, Ms. Glover. We will  
24 raise that, the auction period issue, with the company  
25 when the time comes.

1 MS. GLOVER: I also wanted to comment on  
2 something you asked Mr. Annan.

3 I would be very much in favor of a workshop. We  
4 have been working -- APS is now working really well with  
5 industry, and I think we are going to try to have a  
6 meeting prior to the open meeting on their 2010 plan. And  
7 in the future it would be great if we could do a meeting  
8 even before they were planned.

9 So I think that would be a terrific idea.

10 CHMN. MAYES: Yes, and I agree, and that is why I  
11 was thinking about that. It seems to me that a lot of  
12 these issues need to be worked out before we -- or at  
13 least discussed before we get to open meeting because this  
14 feels like a workshop right now. It probably shouldn't  
15 feel like a workshop. It should feel more like decision  
16 day.

17 I am not complaining because I love this stuff,  
18 but, you know, it probably -- from a procedural standpoint  
19 it would be better to get this stuff hashed out.

20 MS. GLOVER: I will say I am surprised. I said,  
21 well, we will go sit there all day and the Commissioners  
22 won't let us talk, so this has been a bit surprising.

23 But you are right. I think we need to hash these  
24 issues out.

25 And I wanted to ask Commissioner Pierce a

1 question.

2 I didn't get the sense that you felt comfortable  
3 with the discussion about the oversold nonresidential --  
4 why the program is currently oversold, and I wanted to  
5 address that, if I could, just momentarily.

6 As I understand it -- and I'm kind of new with  
7 being involved with the PV industry because I'm kind of  
8 Ari SIEA. So I'm now involved with the commercial solar  
9 part of that group.

10 So as I went to a meeting to write or draft some  
11 comments for the group, I heard a lot of things I didn't  
12 understand. In this situation what I heard was, there are  
13 a couple of huge projects out there that have taken up all  
14 of the reservation money. So if those don't go, we will  
15 have a lot of money left over.

16 So maybe we need to tighten up how we allocate  
17 funding with big projects. And also the other thing that  
18 I think has come out is, if projects fall out of bid, what  
19 do we do about that? Do we overbook or double book like  
20 an airline or do we just not meet our requirements, which  
21 I don't think we want to do?

22 So I think we need to work out the processes and  
23 procedures for the 2010 plan to make sure this doesn't  
24 happen again. But I certainly hate you to take it that  
25 the market is overheated because I really don't think that



1 that is where we are.

2 COM. PIERCE: And actually my light is on.

3 I agree that there could be some anomalies that  
4 could drastically change the circumstance that we are in  
5 now. And actually I thought about, if there shouldn't  
6 be -- just as the banks and the financing arms have fees  
7 and other things that go along, that if somebody falls out  
8 and really puts us behind -- they have a reservation and  
9 they fall out and something doesn't happen, that there  
10 shouldn't be something that -- that there is a penalty  
11 involved, and not because I want to collect money but  
12 because before people get in line they know that they have  
13 their act together. Something to maybe encourage  
14 responsibility in that, that would -- because I know that  
15 is a problem. I didn't address that, but I have been  
16 thinking about what -- how you address that to make sure  
17 that doesn't happen.

18 The other part is, should there be -- should  
19 there be categories, and how many within this big category  
20 do you allow? And should there be some scoring mechanism  
21 to say, look, we have this -- especially, you know,  
22 location may be part of it, where we want more distributed  
23 generation where it's at.

24 So I think that what you bring up are a couple  
25 things that probably need to be addressed. That is not

1 the type of thing we would be talking about for the next  
2 implementation plan-type workshop, but maybe it is. But I  
3 think that is a bigger discussion that I think all the  
4 stakeholders need to have to try to rectify that. Because  
5 I think that is something that will be an ongoing issue if  
6 you get a number of large applicants in the queue and just  
7 one of them falls out, it could skew things, and it puts  
8 people in a position where maybe they go in a different  
9 direction than they need to. All of these things could be  
10 voiced and talked about and hopefully a solution.

11 As a matter of fact, I would invite the industry  
12 to come back with a solution and let us deal with them.

13 MS. GROVER: Chairman Mayes, Commissioner Pierce,  
14 we are currently in the middle of starting discussions  
15 with APS, and it's actually about the 2010 plan. And I  
16 know APS has made some steps to address some of those  
17 issues, and we would just like to take it further actually  
18 for the 2010 plan to make sure we can work out as many  
19 kinks as possible now that we have a program working.

20 COM. PIERCE: Thank you, Madam Chair.

21 CHMN. MAYES: Thank you.

22 Mark Holohan.

23 MR. HOLOHAN: Madam Chair, Commissioners, I'm  
24 Mark Holohan. I am the solar division manager for Wilson  
25 Electric. We are the largest Arizona-based electrical

1 contractor, and we work primarily in the nonresidential  
2 solar market.

3 I am obviously here in favor of fixing this  
4 problem that has kept the incentives program from awarding  
5 projects over the last several months, since April. I do  
6 think there is another important dimension in considering  
7 the Staff's report. I was in California for several years  
8 in the solar market, and I see history repeating itself.  
9 The program did live as intended to do, stimulated a lot  
10 of interest. We have gotten to some critical price points  
11 now where the demand has accelerated. And so now we are  
12 facing the decision of how to best match the demand and  
13 supply of money.

14 This particular limit is an indirect measurement,  
15 and it's unfortunate that it has stopped activity when  
16 there has been enough money to fund annually efforts in  
17 this space. And so assuming there is a strong sentiment  
18 to keep this cap in place, we need to make sure it's set  
19 high enough so it doesn't give us a bad trigger for  
20 shutting the program down again.

21 The Staff report has suggested that \$200 is the  
22 appropriate level to set this at. And I understand that  
23 math that was done by APS means that that level would  
24 achieve compliance in 2009 and '10 with a big assumption,  
25 and that is that all of those projects get built.

1 I saw in California in 2005 the Federal Express  
2 truck pulled up with three years' worth of incentive  
3 applications, and there was a 62 percent completion rate,  
4 so a very major dropout rate.

5 And I would say that there are two things going  
6 forward in looking at our program in Arizona that affect  
7 it. Number one, the psychology changes dramatically when  
8 there isn't enough money. When there is plenty of money,  
9 people don't file these applications until they are pretty  
10 sure they want to make a decision. Now it's become the  
11 major hurdle to get across to decide if it's even worth  
12 spending time on the project. So that motivates people to  
13 submit earlier rather than later. So, yes, there should  
14 be some more working group efforts to deal with that in  
15 various ways.

16 Second, we are also seeing a much higher rate of  
17 solar services agreement activity, which now introduces  
18 the financing dropout as another issue, and that is a much  
19 higher percentage. If we achieve a mature market that  
20 California has, than we could see over three-quarters of  
21 the deals coming in under solar services arrangements. So  
22 again, that's another effect on raising our dropout rate  
23 from historical levels.

24 So I would suggest that under the REST program  
25 for 2010, just four months from now APS says we should

1 raise this limit to \$570 million, so why should we turn  
2 projects away now that could come back in four more months  
3 just because of setting this limit at only 220 million?  
4 That doesn't seem to make sense to me.

5 I happen to be representing a couple of the large  
6 projects that are in that mix, so certainly you know where  
7 I'm coming from on this. And I will also say that those  
8 are corporations who have done a great job in setting  
9 example of sustainability and are complementing their  
10 overall efforts by doing some solar projects. And these  
11 are outside of the metropolitan Phoenix area, which also  
12 helps spread the money around the state. So they would be  
13 great projects to see happen.

14 But certainly the dropout rate hasn't been  
15 considered with the 220 million limit. That is probably  
16 the biggest deficiency. And we want APS to comply with  
17 the standard, so why wouldn't we just limit our  
18 reservations to the compliance level. That virtually  
19 guarantees noncompliance if you do that. So we need a  
20 higher limit or you will be guaranteeing noncompliance.

21 One other feature of the Staff report I would  
22 like to comment on, they suggested that we go back to the  
23 preaging period of applications to give them a chance to  
24 reduce their funding requests. Certainly that would be a  
25 good option.

1           And then they have also suggested that we change  
2 the level going forward. It wasn't clear to me if the  
3 intent was to award all of the pre-June 30th projects up  
4 to the extent of the cap and then let forward-looking  
5 projects being submitted, see if there is any additional  
6 money available. I think you know from the statistics  
7 that the likely event is, that the June 30th applications  
8 will then be sufficient to eat up all the remaining cap so  
9 then our program will be shut down again for the rest of  
10 the year until the 2010 program is put in place.

11           And it's very different to maintain a program and  
12 get the investment by companies in marketing and other  
13 efforts when you have a stop-and-start feature to it.  
14 Consistency is very important.

15           So I would advocate that we raise this limit so  
16 that we don't have a shutdown of the program for the last  
17 four months. And meanwhile, and under the 2010 program we  
18 look to see how we could tighten up the dropout rate that  
19 will be growing quite a bit large than it is in the past.

20           CHMN. MAYES: Okay. Commissioner Pierce, are you  
21 okay?

22           COM. PIERCE: Yes.

23           CHMN. MAYES: Commissioner Newman.

24           COM. NEWMAN: Fascinating testimony. Thank you  
25 for your experience level.

1           You mentioned historical déjà vu experience that  
2   you are having. I guess your main recommendation is to do  
3   something with the limits, but I wanted to just ask you  
4   about the -- this dropout rate phenomenon, how to go about  
5   making rules more flexible. I mean, but at the same time  
6   keeping this residential carve-out sort of in place.

7           The way that you understand it, APS had sort of  
8   in this astonishing sort of meeting room -- I guess it was  
9   astonishing to some people; I don't know if you were  
10   there -- they kind of gave notice that they were at their  
11   limits, and that changed the whole economy of planning for  
12   your company. Probably had to lay off folks, I imagine.  
13   I imagine people --

14           Is that what happened -- not you personally, but  
15   some of the companies that you are involved with?

16           MR. HOLOHAN: I expect that is the case. Our own  
17   company has many other activities besides solar.

18           COM. NEWMAN: So I'm just trying to understand  
19   this 60 percent. You know, you have to figure out and APS  
20   and the Commission has to figure out that, you know, how  
21   do we monitor this? It's really in APS's hands. I'm  
22   trying to find a way to phrase it.

23           How do we monitor this six out of ten  
24   participation, and shouldn't APS be, you know, cognizant  
25   of this six out of ten projects actually getting off the

1 ground, and then we can make the rule flexible enough to  
2 oversubscribe? You described it as an airline reservation  
3 or booking problems.

4           So I'm trying to understand -- I have never had  
5 to develop rules in a public policy sector be similar to  
6 airline reservation booking, if you will. Do you  
7 understand? How do you achieve the efficiencies that the  
8 industry is asking? And we have to give some flexibility  
9 and discretion to APS in our rules. How do we do that?  
10 Are you willing to -- what kind of language do you use  
11 even for that?

12           And this is becoming like a workshop in a way.

13           MR. HOLOHAN: Yes. Chairman Mayes, Commissioner  
14 Newman, yes, there are several ways to go about setting  
15 appropriate policy. And I also didn't mention that the  
16 larger renewable project have even a much higher dropout  
17 rate. I saw a quote in North American Clean Energy last  
18 month that said in large projects the dropout rate is  
19 80 percent, 80 percent.

20           So think in the overall context of the Renewable  
21 Energy Standard, we are depending on APS to comply in all  
22 the sectors, and the larger portion is outside of the DG  
23 program in a realm where the project dropout rate  
24 historically, this author claimed, was 80 percent.

25           Q. For solar thermal type of projects?



1       A.     It's renewable energy in general: wind, large  
2 solar.

3               So that is an important perspective for the  
4 commissioners to consider. Is it wrong to let us  
5 overcomply in the GG world to make up for potential  
6 sectors that undercomply while still maintaining fiscal  
7 responsibility?

8               I guess the short answer is there are things you  
9 can do to the rules under the implementation program that  
10 will reduce the dropout rate. I'm not a fan of putting  
11 the deposits down like California does. And I would say  
12 that the school market is probably likely to have the  
13 biggest impact from that kind of ruling because they would  
14 have the most difficulty to come up with some cash to put  
15 in an additional payment program. You would probably hit  
16 that market the hardest with that kind of a rule.

17              But that is something to consider. Right now  
18 there is a six-month period between filing a reservation  
19 and having a contract in place, and certainly the solar  
20 services agreement is a complicated agreement that will  
21 have lots of legal interaction and take time to do. But  
22 that is -- changing that contract period could be another  
23 way to tighten the requirements and put this reservation  
24 filing later in the sales cycle.

25              COM. NEWMAN: So some sort of contractual

1 performance bond kind of thing? Surety or some type of  
2 damages clause, something like that?

3 MR. HOLOHAN: Commissioners, well, the first  
4 concept is how long does someone have to hold a  
5 reservation with no consequences? APS has a contract that  
6 they sign, but that still has little, if any,  
7 consequences.

8 So then the next step is, do they present proof  
9 of advancement in the form of a contract with a solar  
10 integrator? That could be moved up to tighten the  
11 compliance rate.

12 Nevertheless, there are still plenty of power  
13 purchase agreements that have been signed and no financing  
14 ever evolved because of the difficulty of reading the  
15 financing markets.

16 So it is a difficult question. I think you  
17 should expect a certain dropout rate, which is  
18 substantially higher than what we have seen with very few  
19 solar services agreements and plenty of money around to  
20 fund the program.

21 COM. NEWMAN: And I just, as the last question I  
22 have -- and I guess this is a question for APS too -- they  
23 are signing contract with folks. They are reaching their  
24 limit.

25 Are there certain amount of those projects that

1 could drop out even though they have entered into an  
2 agreement with APS?

3 MR. HOLOHAN: I actually am working on about  
4 14 megawatts of projects. We changed the rate on them.  
5 It's not really a certainty that those projects will  
6 happen. We will have to see what the rate is and do the  
7 math on it and find out. And again, they're solar  
8 services agreements, so finance is still certainly an  
9 uncertainty that we have to be sure we can get.

10 COM. NEWMAN: So there is a possibility -- they  
11 claim that they reached their limit back in April. They  
12 really didn't reach their limit because we are not taking  
13 into account this oversubscription.

14 MR. HOLOHAN: The point I'm making is  
15 reservations do not equal renewal generation. Our program  
16 doesn't provide for the substantial dropout rate that we  
17 will be seeing as we move into a different world than we  
18 have been in.

19 COM. NEWMAN: Thank you so much for your  
20 testimony.

21 CHMN. MAYES: Thank you. I appreciate it.

22 Lee Feliciano.

23 MR. FELICIANO: Good afternoon, Madam Chair,  
24 Commissioners. My name is Lee Feliciano. I'm with  
25 Carbonfree Technology. I am EVP and principal of the

1 company, and we are a solar project developer. So our  
2 primary role in the industry is to help finance  
3 nonresidential solar projects.

4 And in anticipation of one of Commissioner  
5 Newman's questions, last year our company enabled the  
6 financing of 13 solar projects across the country with a  
7 market value of about \$43 million, roughly 6 megawatts in  
8 three different states. So I only say that to stress the  
9 point that we are very familiar with the economics of  
10 solar. You know, it's all about what can we bring the  
11 cost per kilowatt hour down to, and I want to preface my  
12 remarks with that.

13 So generally we are in favor of raising the cap  
14 to 220, and I'm not going to repeat some of the comments  
15 that Mr. Holohan made, but I'm in agreement with all of  
16 them. I believe that, you know, we need to hit the 220  
17 just to get APS at compliance because I believe  
18 \$77 million is not going to get them to compliance.

19 And certainly if we can go beyond that, we would  
20 like to see that. But I think the other important factor  
21 to consider is that lowering the PBI rate is something  
22 that we are in complete opposition of because -- I have  
23 heard a lot of testimony here today and I have to say that  
24 some of it is perhaps not quite informed.

25 You know, I guess one of the comments I agreed

1 with that Mr. Zogby made earlier is that the economics of  
2 each project are different. And so one cannot simply  
3 assume that because this school got a deal for 11 cents  
4 for kilowatt hour that we can all get the same deal. That  
5 is absolutely not the case.

6 And, you know, if you were to discount the PBI  
7 from say 18 cents down to 16.2 cents, all other things  
8 being equal, that equates to an increase in the customer's  
9 rate of 1.8 cents per kilowatt hour.

10 So, you know, if you are looking at a 10 cent --  
11 let's just use 10 cents as an example -- if you are  
12 looking at an agreement -- a solar service agreement where  
13 the price starts at 10 cents per kilowatt hour, by  
14 reducing the PBI, all of a sudden their costs just jumped  
15 18 percent, right, to make up for that difference.

16 And I think, you know, one of the other  
17 misconceptions in this market -- and we see it across the  
18 board -- one other misconception of the market is that,  
19 you know, the economics of solar are such that people will  
20 save money. It's a no-brainer; people will save money and  
21 that is why they want to do it. And, you know, we vet --  
22 I mean, this is what we spend our days doing, vetting  
23 projects, find out which ones are economic and which ones  
24 are not. I can assure you that the majority of solar  
25 projects that are brought to our attention are not

1 economically viable if the criteria is they will save us  
2 money.

3 Okay. So there is still a premium attached to  
4 solar. Again, like I said, it's project specific, so some  
5 projects work better than others. All right?

6 People ask me, what is the rate for an SSA? And  
7 I tell them somewhere between 7 and 28 cents. Because  
8 that is the range of pricing that we have seen based on  
9 different projects we have seen.

10 So I would just like to make that point, that I  
11 think we would like to see -- we are not --  
12 philosophically we are not against the idea of lowering  
13 the incentive levels -- and, by the way, from our  
14 perspective, from our investors' perspective, it doesn't  
15 really matter if it's an up-front incentive or a PBI as  
16 long as the number is right. That is what really matters.

17 So I think it would be a mistake to lower the  
18 rates now without us having more information about what  
19 applications are currently in the queue and which ones of  
20 them are actually going to come to fruition.

21 CHMN. MAYES: Thank you, Mr. Feliciano. I  
22 appreciate you being here.

23 That is all the public comments slips I have. Is  
24 there any additional public comments?

25 Mr. Pozefsky from RUCO.

1 COM. NEWMAN: Talk about everyone talk first and  
2 then come up.

3 MR. POZEFSKY: Good afternoon, Madam Chairman,  
4 Commissioners. Daniel Pozefsky on behalf of RUCO. I have  
5 been sitting back listening and just want to tell you how  
6 much I appreciate having the opportunity to speak before  
7 you on such an issue that is as important as this.

8 You know, we have looked at this issue, and we  
9 have tried to study it as carefully as we can. And I want  
10 to impress upon you how important it is to RUCO that these  
11 schools get funded. I mean, that is, from our standpoint,  
12 not only a smart thing to do but a necessity. In fact, I  
13 will explain to you why and explain to you why if that  
14 doesn't happen we think that would be a detriment to  
15 ratepayers.

16 We talked a little bit about how schools are a  
17 natural for PV and renewable energy in economy. When you  
18 think about it and look at consumption levels, schools are  
19 a natural fit. Consumption in schools for the most part  
20 is going to be during the morning and in the early  
21 afternoon. Schools get out around 3:00, mid afternoon.  
22 At that point the power that is being generated on the  
23 grid or by the PV system still keeps going. It actually  
24 puts power back on the grid at a critical point. Then  
25 again in the summer, when schools are mostly out, not

1 consuming a lot of power, there is a -- it goes back onto  
2 the grid.

3           So from RUCO's standpoint, schools really are  
4 critical. And when you have an opportunity such as you do  
5 here, to use this and to allow schools -- to not do it, we  
6 think, would be a detriment to the ratepayers. In other  
7 words, if you are not going to -- if you can reduce the  
8 electrical bills through PV, through alternative fuels  
9 like we are talking about here, alternative methodologies,  
10 you are putting more money back to the schools for  
11 education, which is really an interest to ratepayer.

12           Plus, unlike a lot of nonresidential entities --  
13 and we are not so sure that we would not consider this  
14 nonresidential -- or that we would consider this  
15 nonresidential -- schools have many characteristics that  
16 are in line with the residential ratepayer. I mean,  
17 schools are not profit. Schools are, for the most part,  
18 for the education of our children, which is every  
19 ratepayer's or most ratepayers' strongest desire or strong  
20 interest, I should say. So a lot of the traits of schools  
21 are lined up with ratepayers'.

22           So when we looked at this, if you have an  
23 opportunity, like you do here, where you have a situation  
24 with the nonresidential credits actually having had  
25 reached the limit and having reached your cap, and then



1 you have a surplus on the residential side, if that  
2 presents an opportunity to get schools funded or to get  
3 schools using these credits, that is something that RUCO  
4 would support.

5 So from RUCO's standpoint we think the  
6 residential ratepayer would actual benefit from the  
7 funding and also by applying the credits or using the  
8 credits from the residential for the schools.

9 As far as the cap being raised from, I think,  
10 \$77 million to \$220 million, you know, our position on  
11 that is we read in the Staff report that there was not  
12 going to be an impact to ratepayers in 2009, but we don't  
13 know whether there will be an impact to ratepayers in 2010  
14 and 2011. So we were concerned about that. Until we know  
15 whether there will be an impact, I'm not really in a  
16 position to comment. Obviously if it's going to raise  
17 rates and there would be an impact, then that would be  
18 something we would have to take into consideration.

19 So I think that pretty much sums up our position,  
20 and I would welcome any questions.

21 CHMN. MAYES: Commissioner Newman.

22 COM. NEWMAN: Thank you, a couple questions.

23 I'm glad you came up in fourth position, you  
24 know, trying to hit a grand slam with the schools.

25 It's true; it's a no-brainer for schools. And

1 someday it occurred to me -- I have been thinking about it  
2 because I have been talking to people other than  
3 homeowners, other than -- they are called the proletariat  
4 group, the people that rent, which is interesting. There  
5 are a lot of people out there that rent, and we don't  
6 really talk about them very much at this body.

7 But I will give you a softball, in a sense,  
8 because I have been thinking of this lately. A lot of  
9 these incentives incentivize homeowners, which is  
10 certainly good. A lot of them incentivize business, and  
11 we are talking about school incentives now.

12 But you talked about sort of a -- Mr. Stump is  
13 not here. We all have these philosophical discussions  
14 about distribution of wealth in society, but in a sense  
15 the school carve-out, if that were somehow talked about in  
16 the future, that is a good way to get to renters who have  
17 to pay into this fund but don't get the full power of  
18 their -- of the price they are paying for the tariff.

19 Do you see what I mean?

20 MR. POZEFSKY: I do, and I couldn't agree with  
21 you more. You are right; we are fixated, as we tend to  
22 be, on the homeowner since it's really the homeowner who  
23 is going to be putting these systems on the home when you  
24 are talking about residential.

25 But there is a fair and probably a large segment,

1 especially now when you talk about the economy, you know,  
2 with greater then 50 percent mortgage foreclosure rate,  
3 you can bet that those folks aren't out there buying  
4 houses, not only now, but for at least the next couple  
5 years. These are all people that are still paying into  
6 the system or still paying electric bills, and you are  
7 right, I mean, one way they can get some bang for the buck  
8 or some benefit is through the schools.

9           So that is another class. I am glad you had  
10 mentioned that. I think it's a great point.

11           COM. NEWMAN: If I were to write a piece about  
12 this, which is kind of difficult to do as a judge, I think  
13 I would talk about that, in fact, probably talk about it  
14 more when I'm on the road talking to people.

15           It came up earlier, and since you are here I  
16 might as well ask you the question, the idea -- one of the  
17 amendments has notice to all the school districts. I know  
18 for a fact, at least my office has tried to contact all  
19 the education bodies to let them know about this debate  
20 and other debates that are happening, the next item, and  
21 all the important cases that are coming our way with  
22 regard to the distributed generation.

23           So I know that I have attempted to make notice to  
24 the school districts. I think many of them are aware;  
25 although, I haven't personally called Bisbee School

1 District, which I could do. But I'm only one person.

2           So I tend to support this notice concept to  
3 school districts, but since you are up here representing  
4 residential ratepayers, it seems to me that this is a  
5 wonderful advertising moment, if you would, to get mass  
6 communication out to all APS customers that -- you know,  
7 this is an ideal moment, not to say we would take it away  
8 necessarily, not to make it a pernicious announcement but  
9 an opportunity announcement to say, by the way, we are  
10 doing this right now; but this is what the deal is with  
11 residential incentives. And however that is  
12 advertising -- I don't want to micromanage -- but that we  
13 could really create a good message opportunity.

14           It would be expensive, but it is a good  
15 advertising opportunity to tell residential ratepayers  
16 what really is going on right now with, as one person put  
17 it, in the new administrative's policies and what it means  
18 for residents.

19           MR. POZEFSKY: Yeah.

20           COM. NEWMAN: So would you support a notice to  
21 all ratepayers?

22           MR. POZEFSKY: Yes. Let me -- yes, and let me  
23 elaborate, if I may.

24           This goes to Commissioner Pierce's Amendment  
25 No. 2 and to the letter that Commissioner Pierce had and

1 on the segue of the one today on this issue.

2 I have heard a bunch of questions being asked up  
3 here that I think are fair questions: Is this fair to  
4 ratepayers, you know, if we do it this way? How is it  
5 fair? And the responses you are getting are from the  
6 solar companies; you are getting it from the ratepayer  
7 advocate. But the people that are really going to give  
8 you the answer from the horse's mouth is the ratepayers,  
9 the people themselves. And that is a way to provide  
10 feedback to address some of these concerns that you are  
11 talking about.

12 Another concern that I have or that we talked  
13 about in our office, about how -- it's a practical concern  
14 on how this is going to work. Because if you do do a  
15 residential credit, which again I said we were in favor  
16 of, if it's going to be treated as an up-front credit, you  
17 have a problem like -- you have that problem of, are  
18 schools going to take the money right up front and follow  
19 through? That is the problem with the up-front credit.

20 So we kind of, you know, trying to figure out how  
21 is that really going to work, I heard a gentleman from one  
22 of the districts say, we can't do it by the PBI, the  
23 production-based incentives, because that's just not  
24 practical. On the other hand, you know, from RUCO's  
25 perspective, these are some of the concerns we have.

1 Well, those incentives are also what assure people,  
2 ratepayers, and everyone else, that what is happening is  
3 being followed through.

4 So I think that this process you are talking  
5 about would allow to get some feedback on things like  
6 that, which I think are necessary. Now, the practicality  
7 of it, can you do it in two weeks? Because we all know  
8 the pressure we are under to get this going, that that is  
9 another concern.

10 COM. NEWMAN: That is true.

11 MR. POZEFSKY: But I do agree with you  
12 Commissioner, absolutely.

13 COM. NEWMAN: And the last question, this is a  
14 natural -- Chairman Mayes and I have expressed concern  
15 about skewing the residential carve-out, which makes our  
16 distributed generation portfolio so unique and powerful.

17 Your office's position on that? You didn't  
18 actually state that.

19 MR. POZEFSKY: When you say skewing --

20 COM. NEWMAN: Skewing, basically potentially --  
21 well, because they haven't used their allotment this year,  
22 we are pushing the money over there, but do you want to  
23 speak to maintenance of the residential carve-out? I  
24 actually don't know what your new position is for your  
25 office. I knew what Mr. Ahern's beliefs were.

1 MR. POZEFSKY: All right. Let me address that.  
2 It's a fair question.

3 We think that it's important that the Commission  
4 not set itself up for failure. In other words, the  
5 Commission has set up goals that were aspiring to  
6 50 percent. There is 31 million left, as I understand.

7 At least in the short term, if we can use that  
8 31 million and get the goal of actually meeting the whole  
9 requirement, if that is going to be done through schools  
10 by giving credits, carving out to schools that otherwise  
11 would go residential, then we are okay with it. We would  
12 support it.

13 COM. NEWMAN: Well, I have a contrary view. My  
14 view -- and I had no idea that -- I'm not being a lawyer  
15 asking a question I didn't know. I actually had no idea  
16 what your answer was going to be. It's interesting that  
17 you have that view.

18 I have a contrary view, and my view is that --  
19 and I feel this way about all of the companies that I use  
20 in rural co-ops and whoever is out there that we are  
21 partnering with to try to improve Arizona's power  
22 industry, the import and export, the whole deal, that they  
23 should be out there working with the communities, that,  
24 you know, they have -- you know, APS has done a better job  
25 of that.

1 But, I mean, if I were the Residential Utility  
2 Consumers Office and that office that I voted to maintain  
3 in the legislature and wanted to, I would be perhaps using  
4 some of my money to be out there making sure that the  
5 \$31 million was being utilized, not only as an advocate at  
6 the Commission, but making sure they know it.

7 So you take half a legal position in your office  
8 and you could help canvas and you could help the utilities  
9 canvas.

10 I'm not trying to be in your face about it. I'm  
11 saying I disagree with that position. I think we should  
12 be doing more to take the opportunity to incentivize the  
13 residents.

14 MR. POZEFSKY: And our -- if we had a choice, I  
15 mean, our preference would be that the money that is  
16 allocated for residential use, the extra 31 million,  
17 actually would be used by the residential ratepayers. I  
18 don't think we would argue that we would rather carve it  
19 out for questions or for things that are non --

20 COM. NEWMAN: That is what I thought I heard you  
21 say.

22 MR. POZEFSKY: Yes, that is what we are facing  
23 now.

24 And I totally agree. We totally support the  
25 Chairman's amendment on the notice and getting more notice



1 out and doing all we can as far as marketing.

2 You know, you raise a good point, whether our  
3 office could contribute to that, and I think that is  
4 something -- I know Ms. Jerich is in the audience -- that  
5 we will take back and consider.

6 COM. NEWMAN: I have thought about it, sure.

7 MR. POZEFSKY: I think that is a good thing.

8 COM. NEWMAN: It would follow your mandate, I  
9 think.

10 MR. POZEFSKY: Yeah. I don't think -- so I don't  
11 think we actually are that much opposed. I'm thinking  
12 more in line, you know, what are we going to do now with  
13 what we are faced with, that we have this extra  
14 31 million? Surely we would want to see it used by the  
15 residential community; but if it's not, we have a vision  
16 of something to do that makes sense; that is our position.

17 COM. NEWMAN: Thank you.

18 MR. POZEFSKY: Thank you, sir.

19 CHMN. MAYES: Well, first of all to this point,  
20 Mr. Pozefsky, you don't think that we should use this  
21 proceeding today to make a wholesale change in the  
22 Renewable Energy Standard, do you?

23 MR. POZEFSKY: No. No.

24 CHMN. MAYES: So you don't think we should use  
25 this proceeding to count schools or any other commercial

1 entity toward the residential requirement of the REST, do  
2 you?

3 MR. POZEFSKY: On a permanent basis, no.

4 CHMN. MAYES: Okay. So you agree with me, which  
5 is that really the only issue here, is getting \$20 million  
6 to the schools so that they can use it this year?

7 MR. POZEFSKY: That is why I prefaced my comments  
8 with how important it is for schools. I mean, that is our  
9 first priority. As I said, the credits is something --  
10 that is our position on the credits.

11 CHMN. MAYES: And so you think maybe that is an  
12 issue, if it is an issue for one or two commissioners or  
13 multiple commissioners -- I don't know how many  
14 commissioners are leaning that way -- but that might be  
15 something better left for the implementation plans?

16 MR. POZEFSKY: Yeah, I don't think I --

17 CHMN. MAYES: Or workshops?

18 MR. POZEFSKY: I don't take issue with that.

19 CHMN. MAYES: Okay. I have to challenge you a  
20 little bit about your newfound concern over UFIs, up-front  
21 incentives.

22 We have had up-front incentives here at the  
23 Commission in the state of Arizona for almost 10 years.  
24 It's the only way we do -- we have done residential  
25 systems for 10 years or more, and it's the only way before

1 PBIs that we did commercial systems. And I don't remember  
2 a single time of RUCO ever complaining about that.

3 Where are all -- and are you suggesting somehow  
4 that schools would be less likely to maintain their  
5 systems if they got up-front incentives? I don't  
6 understand that. I think they actually would be more  
7 likely to maintain the systems when they have hundreds, if  
8 not thousands of students who are interested in them,  
9 hundreds of teachers who are teaching using the solar  
10 system in their lesson plans. I just don't get that.

11 MR. POZEFSKY: Okay.

12 CHMN. MAYES: I don't get the implication either  
13 that homeowners wouldn't take care of their systems, but  
14 go ahead.

15 MR. POZEFSKY: No, that is fair. And I don't  
16 want to sound trite about it, but I can give you two words  
17 to answer that question, that is "new director."

18 CHMN. MAYES: Okay. Fair enough. I appreciate  
19 the honesty there.

20 Well, maybe Ms. Jerich can come forward and tell  
21 us why she is so concerned about the up-front incentives.  
22 And if there is a real concern, I look forward to hearing  
23 a persuasive argument about that.

24 MR. POZEFSKY: Let me -- before I look back and  
25 pray I still have a job, let me say this, it's not that

1 it's sort of a new concern or one that is all of a sudden  
2 we have taken a strong position on. I think it's more  
3 something that we were talking about; we were trying to  
4 figure out how this is going to work, if it would make  
5 difference.

6 I don't know -- you know, we haven't been  
7 intricately involved in the industry. So to the extent  
8 that we have been involved, we are kind of evolving our  
9 position and going through on some of these things.

10 We were just thinking about it, I think, from a  
11 practical standpoint. Okay, if you do present a  
12 residential credit to the party, it would not be a  
13 nonresidential concern, you would be doing it with an  
14 up-front credit; would that be something that the  
15 schools -- we wanted to hear from the schools. I think  
16 that is more what we were thinking about.

17 So these are just things that are going through  
18 our thought process and our concerns, but I don't think we  
19 have taken a strong position against it, by any means.

20 CHMN. MAYES: Okay. I want you to keep your job,  
21 so I won't ask Ms. Jerich to come forward. I'm sure she  
22 won't do that anyway; she knows what a great lawyer you  
23 are.

24 Commissioner Newman -- Commissioner Pierce.

25 COM. NEWMAN: I just wanted to make a quick

1 comment.

2 For the record, his head turned slowly.

3 CHMN. MAYES: Okay. Commissioner Pierce.

4 COM. PIERCE: Thank you, Madam Chair. Hey, the  
5 mike works.

6 You were -- I was going to help you a little bit  
7 with the UFI --

8 MR. POZEFSKY: Actually it was your letter,  
9 Commissioner Pierce, that was one of the things that we  
10 were talking about that kind of got us thinking.

11 COM. PIERCE: Yeah. Let me read this to you.  
12 4.5 under the Attachment B of our REST rules, "As part of  
13 APS's payment of the UFI the utility will be given  
14 complete and irrevocable ownership of all RECs expected  
15 from system production for 20 years, the expected or  
16 planned effective life of the DE system."

17 And then on the last page of Attachment B it says  
18 this, "On occasion these systems, which received the UFI,  
19 will be removed from the participant property prior to the  
20 end of its agreement term without permission of the  
21 utility. Also on occasion the system, which had received  
22 a UFI, will be in need of a repair which participant does  
23 not plan to complete. If either situation occurs and if  
24 despite reasonable efforts on the part of APS, the  
25 participant will not reinstall, repair the DE system, then

1 APS will continue to reflect in its annual compliance  
2 reporting the annual historic energy production up for the  
3 system until the agreement term for the system has been  
4 completed."

5 Which simply means that if we thought we were  
6 going to get the power and we didn't get the power, we  
7 still get to count it.

8 MR. POZEFSKY: Right.

9 COM. PIERCE: How is that a benefit to  
10 ratepayers?

11 MR. POZEFSKY: I don't know. I'm trying -- I  
12 would have to think that one through.

13 COM. PIERCE: Well, I think about transparency.  
14 How is that transparent?

15 MR. POZEFSKY: Again, I can't answer your  
16 question. I don't -- you would think that -- you would  
17 think that if that were the case, if they didn't get it,  
18 then they shouldn't get the credit.

19 COM. PIERCE: So you don't agree with that  
20 policy?

21 MR. POZEFSKY: Well, I didn't say that.

22 COM. PIERCE: I'm sorry.

23 MR. POZEFSKY: I think, you know, I would have to  
24 go back --

25 COM. PIERCE: Just a second. I looked in the

1 back too and I understand that I -- I want to ask you  
2 things that you can answer. So if you are uncomfortable,  
3 just tell me that.

4 MR. POZEFSKY: Yeah, I would be uncomfortable  
5 answering it, Commissioner Pierce, unless I fully  
6 understood what the reason for it was, and then I would be  
7 in a better position. And I don't off the top of my head.  
8 I can't recall what the reason for that provision was. So  
9 I really can't answer you.

10 COM. PIERCE: Well, I think the reason was, it  
11 was something that APS wanted. If the money is invested,  
12 they want the credit because there is not going to be  
13 money to replace that; it's already been spent on the  
14 residential system. And so there is no way for them to  
15 recover it, so there is no way to move and recover the  
16 power that they didn't get.

17 So I think that was more -- I could ask APS what  
18 the reason was for it, but --

19 MR. POZEFSKY: Yet it still counts.

20 COM. PIERCE: But yet it still counts.

21 MR. POZEFSKY: You make a good point. I don't  
22 feel comfortable answering.

23 CHMN. MAYES: Mr. Pozefsky, do you think net  
24 metering is also an incentive for homeowners and  
25 businesses and schools to continue to maintain their

1 systems for the longest period of time since they are  
2 being paid for the production through net metering as  
3 well?

4 MR. POZEFSKY: I would agree with that.

5 CHMN. MAYES: Okay. Thank you.

6 All right. Mr. Hogan, did you want to provide  
7 any comment? Your letter is in the docket. I see you  
8 here. Mr. Pozefsky wrote a letter, and he is here. Did  
9 you want to say anything?

10 MR. HOGAN: I don't have anything to add to what  
11 I put in the letter.

12 CHMN. MAYES: Okay. And Mr. Rich is --

13 MR. RICH: Chairman, Members of the Commission, I  
14 did have a request on behalf of Rob Kelly who has already  
15 spoken. He spoke to the school issue, and I think earlier  
16 there was some inclination that maybe the first round was  
17 public comment -- and hopefully there is only one round  
18 that would deal with the school issue, but he does have  
19 comments on the UFI issue. I know he has been up, but if  
20 there is an opportunity for him to speak on that, if now  
21 is the appropriate time, he would like to.

22 CHMN. MAYES: Sure.

23 MR. KELLY: Thank you for hearing me again.

24 I think I might be a resource to help you  
25 understand why UFIs are rather protected especially in a



1 situation where it would be with the school.

2 COM. NEWMAN: Rather protected?

3 MR. KELLY: That they will be fully recognized,  
4 the RECs, through the full term of the agreement rather  
5 than the suggestion that maybe that system will no longer  
6 work at some point and that the RECs will still be counted  
7 for APS although the system is not producing renewable  
8 energy.

9 I think the concern that I'm hearing from the  
10 Commissioners is that an up-front incentive  
11 disincentivizes the person to keep that system running  
12 over the course of that agreement.

13 Am I mistaken that?

14 COM. NEWMAN: Well, it's not my statement.

15 CHMN. MAYES: It's Commissioner Pierce's.

16 MR. KELLY: If I could speak to you directly, I  
17 would like to share with you kind of how it works again.

18 I do believe that there is many sets of eyes on  
19 this system and therefore the up-front incentive to ensure  
20 that it's producing at its peak performance throughout the  
21 term of that agreement.

22 In the case of the school, one thing I didn't  
23 think of that Ms. Mayes brought up is it will be used for  
24 education purposes so people will actually be watching our  
25 monitoring screen at all times. They will see the blip in

1 the screen that says something happened; something is  
2 wrong with that.

3 But the systems that we will put on these schools  
4 will be financed likely by a strong bank in our community,  
5 whether it be U.S. Bank or other banks. And they are very  
6 much -- SolarCity is very much incentivized to make sure  
7 that they receive their full internal rate of return that  
8 we promised them on the beginning of the 15- or 20-year  
9 investment. So that is one person that will be watching  
10 it very closely.

11 SolarCity as well is going to have to watch it  
12 very closely, not only on their behalf but our own  
13 investment's behalf. We are not a third-party to this  
14 system. We are the operators and maintainers of that  
15 system. So we will be the ones responsible to roll the  
16 trucks when we see that anomaly.

17 The last set of eyes is actually we proactively  
18 monitor every single system that we put out in the field.  
19 If we see an anomaly in that production, again we are  
20 rolling trucks from our operation and maintenance part of  
21 the operation.

22 So the up-front incentive merely allows us to  
23 court the banks that are currently available as tax-equity  
24 investors in this otherwise uncertain climate of  
25 investors. That their production may fail, I would see

1 that as not a risk at all. I hope that I can maybe help  
2 you see that there are plenty of people that are  
3 incentivized to make sure that it's producing at its best  
4 throughout that 20-year term.

5 CHMN. MAYES: And I appreciate that Commissioner  
6 Pierce has a question, but I appreciate, Mr. Kelly, your  
7 comments about the fact that SolarCity is monitoring these  
8 systems. I mean, I met your founder, Mr. Lyndon Rive, and  
9 it's interesting. Your company is interesting because  
10 it's -- you do have that feature where -- and I think he  
11 invented it, actually -- where you are able to monitor  
12 remotely all of your systems to see what the output is and  
13 to see what is going on.

14 So I think that's -- I have often wondered  
15 whether we need to consider that -- whether that --  
16 whether other installers need to be doing that as well  
17 because I think it's an important feature.

18 MR. KELLY: And I forgot the last set of eye,  
19 which is the agreement that we signed with APS or SRP or  
20 any other utility, which requires us to make sure that the  
21 system continues to perform. That is a fifth failsafe, if  
22 you will.

23 CHMN. MAYES: Okay. Commissioner Pierce.

24 COM. PIERCE: Well, thank you, Madam Chair.

25 And I don't -- I think that I have a level of

1 comfort with the schools that -- but really, it's not --  
2 you know, I wasn't a part of writing that, and I think  
3 that it was probably included on the behalf of the  
4 utility, so the utilities are concerned about that issue.

5 MR. KELLY: Sure.

6 COM. PIERCE: That is why, you know, when I read  
7 that and I bring it up, they were concerned about  
8 electricity that they paid for or production that they  
9 paid for that they are not -- that may not be there, that  
10 they just want to make sure that they can still count it.

11 So it really wasn't that much of my issue as one  
12 that was an issue at the time. And as we all know, only  
13 Commissioner Mayes was here during that period of time  
14 when those things were fine-tuned. And that was included  
15 for a reason, and it's because they were concerned about  
16 paying up front and having no leverage over a residential  
17 user, is the reason, I think.

18 And I don't know whether it's APS or one of the  
19 other utilities that we regulate -- or that the group  
20 decided that is something that they wanted to be held  
21 harmless for. But they are by the -- under the REST.

22 MR. KELLY: Sure.

23 CHMN. MAYES: Okay.

24 COM. NEWMAN: Just a quick question for

25 Mr. Pierce, if I can.

1 CHMN. MAYES: No. No. No. Commissioner, I  
2 don't want to cut us off here, but it's 3:00 and we  
3 haven't even gotten to the applicant yet or to the other  
4 parties, so --

5 COM. NEWMAN: I will just make a comment --

6 CHMN. MAYES: Okay. Great.

7 COM. NEWMAN: -- just to Mr. Pierce's point.

8 It may be true, but this is what I reason: This  
9 discussion is very much linked to that oversubscription  
10 issue, as well, that was brought up earlier.

11 Now, it seems to me that, you know, that is some  
12 sort of -- if it's true that it's some sort of insurance  
13 that APS put into the model when I wasn't here as well,  
14 but this issue also is very much linked to the  
15 oversubscription; instead of getting credit for it,  
16 perhaps we need to fine-tune the oversubscription there so  
17 they maybe wouldn't get credit because they are signing up  
18 bad risk by getting credit.

19 Do you see where I'm -- bad risk.

20 I mean, people are falling out, and there should  
21 be some sort of performance bond or something in the  
22 system. It's linked to what Mr. Pierce was bringing up.

23 CHMN. MAYES: And I think it goes to the question  
24 of whether there is really a problem here. Because, you  
25 know -- and I guess that is a good segue to the applicant

1 and one of the questions I will ask, which is, are we  
2 really going to run out of money? How many of these  
3 projects are really going to happen.

4 I mean, obviously I think most of us up here want  
5 to see all of them happen, but let's get an understanding  
6 of the scope of the problem before we start making big  
7 changes.

8 So Ms. Scott.

9 MS. SCOTT: Good afternoon, Commissioners.

10 Do you want an immediate response to your  
11 question or would you like me to lead into it? I'm not  
12 quite sure where we are at in the process.

13 CHMN. MAYES: Neither am I, frankly, I have to  
14 admit.

15 MS. SCOTT: Would you indulge me in making my  
16 opening statements and then we would move on from there,  
17 if that would be all right?

18 CHMN. MAYES: Yes.

19 MS. SCOTT: Commissioners, we brought today to  
20 you an issue that has significant impact on our program,  
21 and as we have in the past, we bring these issues to you  
22 because they require policy decisions, and frankly,  
23 sitting here listening to the discussion today, the  
24 complexity of this and the kinds of decisions you have to  
25 make, I don't envy you.

1 But when we made this filing we knew full well  
2 this was a policy decision, and particularly when it came  
3 to the school component and our suggestion of a  
4 possibility of a way to handle it, we felt like we owed it  
5 to you to come up with some kind of a -- some kind of a  
6 plan, understanding that you would be making the policy on  
7 that.

8 As it stands our nonresidential commercial  
9 program is at a standstill. We have no ability to take  
10 any more reservations. And in April when we found that we  
11 were -- we had far more reservations than we expected, we  
12 immediately addressed the issue and brought that to you.  
13 That was our \$220 million request. It was an additional  
14 143 million over what you had already approved.

15 That amount of money will bring us into  
16 compliance for 2009 and 2010 for our nonresidential  
17 program. This is really a huge success. We have reached  
18 compliance. We have that kind of uptake on that. And as  
19 it is with different products in the marketplace,  
20 different sectors get involved with uptake. I think  
21 Chairman Mayes was talking about early adopters earlier.

22 So considering the economic crisis that we are in  
23 today, I think it's important to let you know, under our  
24 residential program, we have doubled the amount of uptake  
25 this year. And keeping that in mind is really, I think,

1 very important; this is just a natural rolling out of the  
2 rules, the industry, and it doesn't necessarily roll out  
3 perfectly.

4           So we have brought you these issues that when in  
5 July in the procedural conference -- and there was -- let  
6 me just start back with, there has been a few comments  
7 about the timeliness of us bringing in the school issue.  
8 We understand that that was only in July; however, we only  
9 were really aware of the impact of this sitting in the  
10 procedural conference in the SolarCity docket when we  
11 realized it's not only Desert Mountain High School we are  
12 looking at, which even with the -- even if the 220 million  
13 is approved today, still may not get their funding in time  
14 to get their program operational, unless we address this  
15 school issue.

16           But the discussion was that there were many  
17 schools that would be lining up before year-end. And I  
18 believe it was very clear that this is really an important  
19 issue to the communities, to the Commission, for our  
20 customers, and so that was the reason that we brought that  
21 to you immediately. We certainly didn't want to go all  
22 the way through you making a decision on SolarCity only  
23 for us then to say to you, oh, by the way, we have funding  
24 problems.

25           So I apologize to those parties that feel like



1 they did not have sufficient time to look at this. Again,  
2 we felt like we needed to get it to you as soon as  
3 possible.

4 And I think that maybe our intentions in filing  
5 that may have been somewhat misconstrued. APS is very  
6 committed to our residential customers. We have -- even  
7 though the program lags behind the commercial customers at  
8 this point in time, we have doubled that. We have doubled  
9 the amount of those residential customers this year in  
10 these economic times. And in large part that has been  
11 done as a result of the marketing efforts we have made.

12 I would venture to guess that most of you have  
13 seen or heard our TV and radio ads. Mr. Mahrer is  
14 available and has all kinds of updates for you to let you  
15 know exactly where we are statistically with how many  
16 reservations we have and the kind of advertising we have  
17 done. And I think it would be probably help inform your  
18 decision today if he would update you with those number.

19 So again, with your indulgence, I will turn the  
20 microphone over to Mr. Mahrer.

21 MR. MAHRER: Good afternoon, Madam Chair,  
22 Commissioners. Thank you for the opportunity to provide  
23 you with an update on our programs offering incentives for  
24 distributed energy installations.

25 I think you are all aware we have programs for

1 residential and nonresidential installation, and those two  
2 arenas are treated a little differently.

3 To date approximately \$14 million in up-front  
4 incentives have been expended or committed to over 1,400  
5 residential installations. In 2008 in total approximately  
6 830 installations were completed. Together these will  
7 result in over 7.2 megawatts of residential installations.

8 Today we have \$34 million of uncommitted  
9 residential funds. Our nonresidential programs offer both  
10 up-front and production-based incentives to nonresidential  
11 customers. Through our up-front incentive program we have  
12 committed \$1.8 million to 53 nonresidential projects, a  
13 diverse range of technology.

14 Our production-based incentives have fully  
15 committed over \$70 million in lifetime costs to customers  
16 interested in installing approximately 15.5 megawatts. We  
17 have received requests for an additional \$215 million  
18 worth of lifetime commitments for a total of approximately  
19 \$285 million worth of lifetime commitments.

20 Our request today to increase our authorization  
21 to \$220 million offers us the opportunity to exceed  
22 compliance even through 2010. If all of these systems are  
23 installed by APS customer sites, over 55 megawatts of  
24 distributed energy capacity will have been accomplished at  
25 nonresidential locations.

1 Awareness of our programs with customers has  
2 increased by over 120 percent since 2007. Participation  
3 in our residential programs has more than doubled even in  
4 these challenging economic times. We attribute this to  
5 over 6,700 TV and radio spots calling our customers to  
6 take action. That is over 11 spots per day since January  
7 of 2008.

8 Our cooperative marketing efforts have resulted  
9 in a reach of over 3.9 million customers. 1.6 million  
10 direct-mail pieces have been sent to APS customers calling  
11 them to action towards distributed renewable energy  
12 installations.

13 Consumer demand and interest in this arena has  
14 resulted in a near tripling of the number of installers  
15 providing both solar electric and solar thermal  
16 installations across the state. We have seen introduction  
17 of new technologies never before installed at our customer  
18 sites in 2009.

19 We have introduced important new programs in  
20 2009, like our distributed public assistance program,  
21 which has resulted in the installation of approximately  
22 70 photovoltaic and solar water heating installations at  
23 low-income residences.

24 Additionally we have launched our Energy Star  
25 Homes Program that offers developers additional incentives

1 to commit to building solar communities in Arizona.

2 We believe these efforts and these numbers  
3 reflect our commitment and our enthusiasm for  
4 administering these nationally-recognized programs.

5 I'm available to answer any questions you may  
6 have. Thank you.

7 CHMN. MAYES: Commissioner Kennedy has a  
8 question.

9 COM. KENNEDY: Thank you, Madam Chair.

10 Madam Chair, Ms. Scott, thank you so much for the  
11 information you gave us earlier. I want to make sure I  
12 heard you correctly.

13 You said that APS has already reached compliance?

14 MS. SCOTT: With the approval of the \$220 million  
15 in PBIs. Without the approval we will not reach  
16 compliance, but if you approve that additional 143 million  
17 for a total of 220 million, we will reach compliance in  
18 2009 for the nonresidential component.

19 COM. KENNEDY: Just a hypothetical, Madam Chair,  
20 Ms. Scott, would you agree that maybe it's time to  
21 increase the percentage?

22 MS. SCOTT: I'm sorry. The percentage?

23 COM. KENNEDY: The requirement that -- well, you  
24 know what, I will rephrase it because I want to -- let me  
25 come back to the question because I want to make sure that

1 I have my question answered correctly. Okay?

2 Thank you.

3 CHMN. MAYES: Well, let me jump in while

4 Commissioner Kennedy is forming that question.

5 Ms. Scott, obviously we have -- I just want to --

6 I know I asked you about this yesterday, but we have now a

7 number of amendments from Commissioners, one of which

8 would split off this school issue from the PBI issue.

9 Again, I want to get APS's thoughts and views on  
10 this issue, how the Commission -- whether the Commission  
11 needs to act today, whether acting on the schools issue  
12 two weeks from now is adequate.

13 Can you give us a sense of that?

14 MS. SCOTT: Chairman Mayes, as I said yesterday,  
15 both of these issues are urgent and need to be addressed  
16 as quickly as possible.

17 Delaying the school issue for two weeks, at least  
18 related to the Desert Mountain High School, based on the  
19 discussion that I had with SolarCity, it appears that that  
20 project will go forward if you delay it for two weeks.

21 That is the best can I tell you. I don't  
22 understand what their installation time frames are. So --  
23 but I did ask them that yesterday, and they said that they  
24 could make that work with that. Now, I think they also  
25 mentioned that, well, that is an increased risk; it's

1 two weeks less.

2 But from APS's point of view, there is a sense of  
3 urgency for both of these issues. Our main issue at this  
4 point is that we have all of these reservations of which  
5 we can do nothing about until we get that PBI at cap.

6 That is our biggest concern at this point, and we  
7 recognize the need for the schools. But as to the  
8 specifics of whether two weeks is going to put those  
9 schools at risk, that is the best answer I have for you.

10 CHMN. MAYES: And I guess the answer is, we don't  
11 know, which is why I actually -- I understand the urgency  
12 on the PBI issue, too, but I actually think if there is an  
13 urgency, it's with the schools' piece.

14 MS. SCOTT: I don't believe that I understand  
15 what you are saying.

16 CHMN. MAYES: Because it seems to me that that  
17 piece is even more urgent given the stimulus package  
18 provisions, given the fact that we are not really sure  
19 whether not moving forward could damage them. So that is  
20 why I personally think we ought to move forward today, but  
21 we can certainly delay it by a couple weeks if it's  
22 necessary.

23 I saw Commissioner Pierce is out with at least  
24 two more amendments. It looks like he may be ready to  
25 move forward today, or where those --

1 COM. PIERCE: Those are just in case.

2 CHMN. MAYES: Oh, just in case. Just in case my  
3 colleagues agree with me that we should move forward? All  
4 right. Okay.

5 Well, I mean, I don't know, but -- and Ms. Scott,  
6 do you think -- I understand, I'm a big notice person,  
7 too, but it's strikes me that -- I don't know.

8 Does APS believe that there are a number of  
9 schools out there that would come in in two weeks and be  
10 involved in this process who are not here today? It seems  
11 to me we have got many schools here. They are represented  
12 also by, to some disagree, Mr. Hogan. Now RUCO apparently  
13 represents the schools. So it seems to me they have  
14 got -- and SolarCity, you know, they have got a lot of  
15 representation in the room.

16 Again, I don't understand the need for delay, but  
17 does APS think that if we wait two weeks we will get a  
18 whole bunch more schools coming in here?

19 MS. SCOTT: Chairman Mayes, honestly, I don't  
20 know the answer to that.

21 And just a point of fact, I don't know if this  
22 brings comfort or not at all, not in this docket, but in  
23 the SolarCity docket we have filed a letter in the docket  
24 over concern about a contract clause, which was then  
25 amended by SolarCity and that is not an issue anymore.

1           The point I'm trying to get to is, in that filing  
2 we used a list of schools from the procedural order, which  
3 is literally 17 pages' worth of schools. So while not on  
4 this issue, the schools did at least know about the other  
5 docket. I don't know if that gives you any comfort in  
6 this particular case or not, and I just offer that to you.

7           I don't personally know whether more schools  
8 would come in than what you had have today, and I'm not  
9 aware of, you know, whether all of them have -- are aware  
10 of the issues. And I just don't know the answer to that.

11           CHMN. MAYES: And again, I noticed that long list  
12 of schools, too, when I was reading through the docket.

13           Did those schools -- how did they get on your  
14 list?

15           MS. SCOTT: The note here says that this is from  
16 the procedural order in the SolarCity docket. So I  
17 believe when the procedural order was issued, that the  
18 Hearing Division -- the Commission's Hearing Division  
19 actually provided that to all of these schools.

20           Again, a separate docket, but being heard today.  
21 I don't know if that answers your questions. It's just  
22 something -- when I was reviewing my documents, I realized  
23 there was a lot of pages and most of it was notice.

24           CHMN. MAYES: Okay. And I appreciate that.

25           And the other reason I feel comfortable moving



1 forward today is that quite frankly all of my amendments,  
2 especially my amendment No. 1, would help the schools. It  
3 would give them \$20 million. I'm not sure how they would  
4 be harmed by being given \$20 million.

5 So I'm not sure that they are going to be all  
6 that into the whole REC-trading issue, but maybe they will  
7 be. But there will be another opportunity, in my mind,  
8 down the road for them to jump into this issue, especially  
9 in your implementation plan.

10 Commissioner Pierce.

11 COM. PIERCE: Sure. Why not --

12 Did you do this to my mike? Did you switch them  
13 out?

14 COM. NEWMAN: Mind control.

15 COM. PIERCE: Anyway, I think about the notice in  
16 the SolarCity case; couldn't you have done that same thing  
17 in this one?

18 MS. SCOTT: Chairman Mayes, Commissioner Pierce,  
19 we could. We didn't think of that, to be honest with you.

20 COM. PIERCE: The reason I originally put my name  
21 on the board is to -- you know, it was brought up that I  
22 have two amendments and that they were just in case. But  
23 it is really revealing here in that we don't shop around.  
24 You know, this isn't very -- we do everything like that.

25 At least, you know, my experience is that we do this stuff

1 in open meeting. So sometimes it looks a little bit  
2 disjointed and ugly, but that is because we are  
3 transparent.

4 So as I heard that, Commissioner Mayes, yeah, I  
5 didn't know any other way to do it. Just in case I lost  
6 my one amendment, I wanted to be ready on that other side  
7 of that.

8 CHMN. MAYES: Are you calling us disjointed and  
9 ugly? It wouldn't be the first time I was called  
10 disjointed.

11 COM. PIERCE: It wasn't. Madam Chair, I need to  
12 put the mike on and put it on the record. No, I was  
13 talking about sometimes this process, just like down at  
14 the legislature, they talk about you watching sausage  
15 being made, well, here you do get to watch it, so to  
16 speak. I don't want any comments about that. I'm just  
17 saying that that is just how this is geared, and it's  
18 geared for the public to know just what is going on. And  
19 I think we honor that real darn well.

20 CHMN. MAYES: Okay. I agree.

21 Commissioner Newman.

22 COM. NEWMAN: Thank you. That is kosher sausage,  
23 I think.

24 I wanted to say -- I want to make the Chair know  
25 that I'm prepared to move forward today. I feel

1 comfortable. I think this is really extraordinary  
2 commentary, although I recognize that there is a procedure  
3 here where we recognize each individual Commissioner's  
4 right to put off a case. So I didn't want to -- I wanted  
5 to recognize that that is a practice here.

6 But I think this was very good testimony today,  
7 and I simply was educated by the public comment and thank  
8 everyone from coming from all sorts of places to educate  
9 us on this issue.

10 I was going to ask you about the REC situation.  
11 It seems to me that Chairman Mayes' amendment makes some  
12 sense in order to keep the residential carve-out. You  
13 stated in your opening statement about your commitment to  
14 the residential carve-out. So why don't you just give me  
15 the company's position after hearing from the various  
16 interested communities today and hearing the incredible  
17 discourse from the Commissioners, I thought?

18 MS. SCOTT: Chairman Mayes, Commissioner Newman,  
19 we have proposed that money that was used for the schools  
20 be counted towards -- that came out of the residential  
21 bucket, so to speak, would also be counted for compliance  
22 for that particular requirement, the residential  
23 requirement.

24 If you should make a policy decision that it  
25 should not come out of that bucket -- or, I'm sorry -- we

1 can use the funding but it won't count towards compliance,  
2 there is really two pieces to that, and again, it's a  
3 policy decision.

4 We won't have enough funding should we get the  
5 explosion in residential requests before the end of the  
6 year. We will have to come back to you for more money in  
7 order for us to make compliance.

8 So by not counting it towards compliance it  
9 automatically at this point in time we don't have enough  
10 funding to make our residential requirement because the  
11 funding is not there; it will be used for something else  
12 and be counted towards commercial.

13 So in light of the fact that our best  
14 projections -- you know, when we made the proposal for the  
15 \$20 million carve-out, so to speak, we did take into  
16 account the fact that towards the end of the year  
17 historically we have seen that the residential uptake  
18 increases. That was considered. So we don't believe that  
19 there is any homeowner that will go without getting an  
20 incentive should they come apply. We don't think that is  
21 going to be a problem.

22 But the reason is that we had said, if this came  
23 out of the funding that was set aside for residential,  
24 that was counted towards that compliance -- because  
25 potentially we could actually get compliance by doing it

1 that way this year. We could be compliant with those  
2 parts of that DG requirement.

3 So -- but, again, it's a policy call. And we are  
4 ready to come back in and should the residential uptake be  
5 far beyond what we projected, we would certainly come in  
6 to ask for more money on that issue.

7 So, again it's a policy decision on your part.

8 COM. NEWMAN: The Chair is asking me to stop  
9 here, and I had more questions because I know that you're  
10 very interested in how we are going to proceed on this.  
11 But I'm going to stop right now even though there are more  
12 questions that I have.

13 CHMN. MAYES: We will come back. I have to take  
14 a break for the court reporter, and we will come back in  
15 10 minutes, if that is okay.

16 (Whereupon, a recess was taken from 3:29 p.m.  
17 until 3:42 p.m.)

18 CHMN. MAYES: All right. We are going to go  
19 ahead and go back on the record.

20 Coming back to order, Colleagues, looking at the  
21 clock -- I know this is a complicated matter. We haven't  
22 gotten to the other intervenors, but it is my intention to  
23 move forward. We will deal with Commissioner Pierce's  
24 amendment first that would bifurcate the issue and then go  
25 from there.

1           And then after that we have SolarCity. We have  
2 the green power case, and we have Trico. What I will do  
3 is -- Trico is here and they are in from out of town. I  
4 will try to do them right after this one; get you guys  
5 done hopefully tonight.

6           It's my intention -- I hope my colleagues can  
7 stay with me tonight, even if we have go late.

8           COM. NEWMAN: Whenever you want to go, Madam  
9 Chair.

10          CHMN. MAYES: Well, anyway, but -- and I  
11 apologize for that but our problem is tomorrow we are  
12 going right back into the APS rate case, and it would be a  
13 renoticing nightmare for us to try to --

14          Ms. Alward, what would we do if we stopped at  
15 5:00 and still had work to do?

16          MS. ALWARD: You would recess and you would set a  
17 time to come back. If you came back tomorrow morning,  
18 then the APS rate case would just be bumped for a period  
19 of time. I don't think it's undoable to recess this  
20 evening at 5:00 if that is what the Commissioners want to  
21 do.

22          CHMN. MAYES: I know it's not undoable, but I  
23 personally intended to be at the APS rate case tomorrow.

24          MS. ALWARD: Well, it could be bumped to --

25          CHMN. MAYES: Another day?

1 MS. ALWARD: Or bumped to start later, in other  
2 words.

3 CHMN. MAYES: Okay.

4 MS. ALWARD: And we also had a Commission Staff  
5 open meeting noticed this afternoon, either at the  
6 adjournment of this open meeting, but that could be just  
7 canceled and renoticed for next week if we don't have one.

8 But at this point I don't want to say anything to  
9 those listening, if for some reason we finish in the next  
10 15 minutes and you wanted one. But that is up for grabs  
11 too.

12 But I think it's all doable and the will of the  
13 Commission.

14 CHMN. MAYES: Note the laughter for the record  
15 that we will finish in 15 minutes.

16 Okay. That is the plan. Let's go ahead and keep  
17 going.

18 We were questioning APS, and, Ms. Scott, you are  
19 grabbing the microphone.

20 MS. SCOTT: Chairman, Commissioners, we need to  
21 add a little bit more about those incentive payments and  
22 the compliance. I'm going to turn the microphone over to  
23 a much better expert on this, Mr. Mahrer, on this one.

24 CHMN. MAYES: Okay, Mr. Mahrer.

25 MR. MAHRER: Chairman Mayes, Commissioners, we

1 are perfectly okay if the residential funds are applied to  
2 schools and the renewable energy credits apply to the  
3 nonresidential sector. The issue would be an amendment of  
4 our 2010 implementation plan to raise the incentive -- to  
5 increase the amount of incentives necessary to then comply  
6 with the residential requirement in 2010 and beyond.

7 CHMN. MAYES: Okay. Can you say that again?

8 MR. MAHRER: I can.

9 In each year our implementation plans propose a  
10 budget for residential incentives. Those budgets are  
11 built on the opportunity to comply with the residential  
12 requirement from that year.

13 So if funds are not expended or committed in  
14 2009, for example, they would theoretically roll into 2010  
15 and afford us the opportunity to comply in 2010.

16 If funds are removed and not applied -- and those  
17 credits not applied to the residential piece, we no longer  
18 have sufficient funds to comply in 2010. Our 2010  
19 implementation plan budget is built on an assumption that  
20 funds would have rolled over from 2009 to 2010.

21 CHMN. MAYES: Okay. I'm confused. I guess --  
22 well, maybe we could go to Staff at this point on this  
23 issue.

24 Mr. Williamson, I know you can clarify this  
25 question. Did you understand what he just said?



1 MR. WILLIAMSON: Chairman Mayes, I was looking at  
2 one of the amendments. I'm afraid I didn't hear what he  
3 said.

4 CHMN. MAYES: Okay. The issue is -- I think the  
5 issue is that what happens if we -- under my amendment, as  
6 you know -- okay. So APS has applied to move \$20 million  
7 of the residential funding into the commercial funding or  
8 for schools. My amendment would do that but not count the  
9 RECs from that \$20 million toward the company's  
10 residential requirement; correct?

11 MR. WILLIAMSON: That's correct.

12 CHMN. MAYES: And I think the issue is, what does  
13 that do to the 2010 and 2009 residential component, both  
14 from an incentive standpoint and from a percentage  
15 standpoint?

16 MR. WILLIAMSON: Chairman Mayes, I understand the  
17 question. This is something that has concerned me since  
18 we got this filing.

19 If you transfer the money and allow them to use  
20 it for school projects but don't allow APS to count it  
21 towards their residential credit requirements, we have  
22 left a hole in the requirement they have for 2009. That  
23 means in future years they will have to make up that hole.

24 So if I were APS what I would do is, if the  
25 amendment went through the way you have it set up, I would

1 say, well, okay, we transferred \$20 million because we  
2 weren't going to use it by the end of year; now we need a  
3 new 20 million in 2010 to make up for the 20 million that  
4 we didn't spend in 2009. And that would, I think, take  
5 their annual amount from 85.5 probably to 105 million.

6 CHMN. MAYES: But if they are not using it now  
7 why would we believe they would need an increase of that  
8 amount next year? I mean, it just seem ridiculous to me  
9 that they would come in -- I mean, so they want to use the  
10 residential -- they want to take the money away from  
11 residential ratepayers, okay -- and understanding that  
12 it's for a good cause -- and then you are suggesting that  
13 they would come in and try to increase the surcharge on  
14 residences again to pay for the taking of the money last  
15 year?

16 MR. WILLIAMSON: Chairman Mayes, first of all, we  
17 say taking of the money. The money is sitting in the pot  
18 waiting for the residential customers to show up. We have  
19 thrown a party, but the residential customers haven't  
20 come.

21 CHMN. MAYES: But the question is, did APS really  
22 send out the invitation? That is what I want to know. I  
23 don't believe that they have.

24 I mean, I really believe -- and I'm somewhat  
25 familiar with what goes on in other states in terms of the

1 utilities marketing of their DG programs -- I don't  
2 think -- I mean, I heard what Mr. Mahrer said about their  
3 advertisement. First of all, I don't think their  
4 advertisements are very good, with the exception of that  
5 Steve Nash ad, but I don't even know that that counts;  
6 although, I'm really glad that he did it. I hope that he  
7 will do more for them.

8 But I don't think it's good a advertising effort.  
9 They don't do door-to-door efforts the way that California  
10 utilities do. I mean, let's -- I know APS and the other  
11 utilities would like us to look at this with blinders on,  
12 but some of us actually know what is going on in other  
13 states.

14 So, you know, yeah, they throw a party and we  
15 don't have as many residential consumers at the party, but  
16 I don't think they really sent out the invitations.

17 So the question is, here we are with this  
18 \$20 million gap. Comments, Mr. Williamson?

19 MR. WILLIAMSON: Yes, I understand what you are  
20 saying.

21 Realize we are four months away from the end of  
22 the year. Staff did some analysis of this that even if,  
23 as in the past, the growth in the market has increased or  
24 will increase over the next four or five months, it still  
25 looks very likely that there will be a sizeable chunk of

1 change that will be left over unused at the end of the  
2 year.

3 Partially I think that is because of the  
4 recession. If you look at the average size system that  
5 APS has, it's 5.5 kilowatts. At \$7 a watt the install of  
6 that is \$38,000. Many of the residential customers who  
7 are worried about their jobs, whether their house is going  
8 to get foreclosed on, et cetera, aren't going to come up  
9 with 38- to \$40,000 to put a solar system in.

10 So I think the market will grow. It already is  
11 growing. It's just not growing as fast as we hoped it  
12 would. This one-time change, I think, will allow that  
13 money that would be sitting there at the end of the year  
14 and probably well into 2010, unless the economy turns  
15 around, can be used for schools that need to put systems  
16 in now, and we can still, as the market grows in the  
17 future, help the residential customers.

18 CHMN. MAYES: Okay. And just while I have you,  
19 Mr. Williamson, Staff did not intend in this order for  
20 this to be anything but a one-time reallocation; correct?

21 MR. WILLIAMSON: That's correct. In fact, if you  
22 look at the proposed order the wording that was suggested  
23 by Staff said up to \$20 million and -- in the memo -- up  
24 to \$20 million. So it's not an absolute 20; it's up to  
25 20.

1 And the other piece of this is that it clearly  
2 says it's for the 2009 funding reallocation. So that ties  
3 it down to a one-time thing. All you would be ordered  
4 under that wording would be a one-time change.

5 CHMN. MAYES: And, Ms. Scott, APS concurs with  
6 this; this is a one-time reallocation?

7 MS. SCOTT: Chairman Mayes, the way your  
8 amendment is written it is for 2009?

9 CHMN. MAYES: Yeah, but that's the way my  
10 amendment is written. I guess the order itself doesn't  
11 actually order anything on the schools issue.

12 MS. SCOTT: That's right.

13 CHMN. MAYES: Okay. But, Ms. Scott or  
14 Mr. Mahrer, can you tell me, do you think that your 2010  
15 residential program will probably be undersubscribed?

16 MR. MAHRER: Forecasting 2010 residential  
17 participation is difficult. I know the requirement grows  
18 each year. We are on pace to double this year. Hopefully  
19 we will double next year as well. But doubling next year  
20 would not achieve compliance.

21 CHMN. MAYES: Okay. So why would you need to  
22 increase the surcharge if you are not going to meet it  
23 anyway?

24 MR. MAHRER: Fair question, Chairman Mayes.

25 CHMN. MAYES: That is why I'm not worried about

1 the problem.

2 MR. MAHRER: Again, the annual budgets are built  
3 on an understanding of what the energy requirement is and  
4 then back calculating the number of systems we would have  
5 to incent. So if you removed some funds, you may not be  
6 able to incent everything the customers are interested in.

7 CHMN. MAYES: Okay.

8 MR. OLEA: Chairman Mayes, if I could add a  
9 little bit to that discussion, to what Mr. Williamson and  
10 to what APS just said.

11 CHMN. MAYES: Sure.

12 MR. OLEA: It won't necessarily be next year that  
13 the surcharge would be affected or the amount that the  
14 customers pay, but if you take the 20 million away and  
15 don't transfer the RECs with it, sometime in the future  
16 APS will have to make up that 20 million from the  
17 residential side. But it won't necessarily be next year,  
18 which is what -- and I think that is the point you are  
19 trying to make.

20 But sometime in the future that 20 million will  
21 have to come back from the residential side if you don't  
22 transfer the RECs.

23 CHMN. MAYES: Okay. Commissioner Pierce.

24 COM. PIERCE: Interesting dialogue because I'm  
25 probably thinking that a number of residential installers

1 out there are thinking that, you know, for sure this is  
2 going to be backfilled at some point, and if Chairman  
3 doesn't intend for that to happen, then that would be  
4 interesting. I'm not sure which way that will go.

5 But when she offers the amendment, I'm going to  
6 ask if a bill impact analysis has been performed, should  
7 this have to be backfilled, so we know what this does to  
8 the ratepayer. Because essentially we will hit them twice  
9 on this amount of money if it's going to be backfilled.

10 Isn't that correct, Mr. Olea?

11 MR. OLEA: Well, I think what I was trying to say  
12 is that sometime in the future the payments from  
13 customers, wherever it comes from, is going to have to  
14 make up the 20 million that didn't have the RECs transfer  
15 with it, probably not next year unless the economy just  
16 turns around dramatically sometime between now and next  
17 August.

18 But sometime in the future if they get to the  
19 point where they don't have enough money to install all  
20 the residentials that they have for a particular area --  
21 which hasn't happened yet; they have always had money left  
22 over and that spills over to the next year -- but if they  
23 ever get to the point where they don't have enough money,  
24 at that point, you know, somebody will have to come in and  
25 make up that 20 million hole.

1 COM. PIERCE: Okay. And it makes me a little  
2 nervous because even though we may say we will not do this  
3 again next year or I see the same set of circumstances are  
4 in place next year, I wouldn't doubt that we would be  
5 asked to come back and treat this again, deal with it  
6 again. But if we are not passing along the RECs to  
7 guarantee that we will not have to backfill, then at some  
8 point this is going to have an impact on ratepayers beyond  
9 what we have intentioned.

10 And I just want you to give me a comfort level  
11 that not passing along the RECs to use as residential, to  
12 not be able to count those as residential is not going to  
13 create an additional expense to ratepayers.

14 MR. OLEA: And I don't think I can give you that  
15 guarantee, but you did say something about, you know,  
16 maybe coming back next year and doing this again.

17 Probably two reasons that won't happen: One is,  
18 everybody is seeing what an issue it is this year for the  
19 Commissioners. I don't think the Commissioners want to  
20 see it again next year.

21 The second reason it probably won't happen is one  
22 of the major reasons that we are here today is for the  
23 schools, and the schools have an issue because of the  
24 stimulus money.

25 CHMN. MAYES: Right.



1 MR. OLEA: Which is setting deadlines that are,  
2 at least my word is, artificially imposed to get things  
3 done by the end of year. I don't think that you are going  
4 to have another stimulus package the next year that does  
5 the same thing.

6 But that is one of the reasons we are here, is  
7 there is a very short time frame to get things done for  
8 the schools if the Commission wants to do that. That is  
9 why we have this very short fuse to get it done. So I  
10 don't see this happening again next year or even after  
11 that.

12 But, again, if you don't -- and here is what, I  
13 think, Mr. Williamson was saying -- correct me if I'm  
14 wrong -- but if you don't transfer the RECs for the  
15 \$20 million, there is a hole that is created. And that  
16 hole means it has to be backfilled sometime in the future.  
17 Again, probably is not going to happen next year unless  
18 there is a sudden change in this economy that none of us  
19 see, but it will happen sometime in the future. If it's  
20 in 2011 or 2012 or 2015, who knows.

21 COM. PIERCE: And when APS comes to us with their  
22 implementation plan, they will propose a tariff to  
23 backfill that; correct?

24 MR. OLEA: That is what I suppose they will do,  
25 yes.

1 COM. PIERCE: And we have no idea how much, a  
2 ballpark, of what that would do to ratepayers.

3 I guess my point is that ratepayers paid for it  
4 already and we will be asking them to pay for that on the  
5 residential side to backfill it. Thank you.

6 CHMN. MAYES: Well, Mr. Olea, I guess my problem  
7 with it is if we reallocate the RECs, then it's a  
8 permanent change to the program. That's the problem, and  
9 here is --

10 Would you agree with that? It's a permanent  
11 change to the program --

12 MR. OLEA: It's a --

13 CHMN. MAYES: -- because that is -- those are  
14 RECs that the company doesn't have to meet for residential  
15 renewable energy, and quite frankly, I think they are fine  
16 with that because I don't think they like residential DG  
17 very much.

18 MR. OLEA: Okay. Now, it's a permanent change as  
19 far as those RECs, once they are met they are met, and  
20 they don't have to be -- so that APS doesn't have to come  
21 in and meet that piece of the residential piece.

22 CHMN. MAYES: Right. So I think my suspicion is  
23 that APS is, you know, just dandy having these, what are  
24 really commercial RECs, meet their residential  
25 requirement.

1 And, Colleagues, it's into perpetuity. It's  
2 done. It's over. Game over. Game over for those RECs.  
3 And, you know, I guess the Commission could come back and  
4 try to deal with that by changing the rules somehow, but  
5 by an increase to the residential piece of it.

6 But could we -- if there is some sort of hole  
7 that's created, couldn't that be dealt with in their  
8 implementation plans and parceled out over time? I mean,  
9 is that something that really is that nightmarish?

10 MR. OLEA: Well, and I suppose you could deal  
11 with it over time. You don't have to deal with it all in  
12 one year. If you know it's only that \$20 million, you  
13 could spread that over the life of the rules or if the  
14 rules change, you could do it at that time. But there is  
15 a hole that is created that does have to be covered  
16 somehow, someday, but it doesn't have to be done in  
17 one year, no.

18 CHMN. MAYES: Okay. Commissioner Newman.

19 COM. NEWMAN: My first question is for Staff, and  
20 you know, as somewhat of a government expert, I'm a little  
21 bit confused about the one year versus the multiyear. Is  
22 it part of ARRA? Is the Department of Energy planning on  
23 multiyear contributions or is this a one-shot deal? I  
24 should know the answer to this question, and I thought it  
25 was multiyear, but I get from your testimony it's

1 one year.

2 MR. OLEA: Okay. And I actually think, Chairman  
3 Mayes and Commissioner Newman, the schools' people could  
4 probably speak to this better, but there is ARRA money.  
5 There is also something with the depreciation rates that  
6 change after the first of the year. There is a  
7 combination of things that are happening that have to be  
8 done by the end of the year.

9 Some of it's ARRA funds. Some of it is  
10 depreciation. I think if you had one of the school's  
11 people up here, they could tell you in a more precise  
12 manner why things have to get done by the end of year.  
13 But it's not just ARRA money.

14 CHMN. MAYES: Okay. And so I just -- it's one  
15 thing I wanted to pin down. I was actually thinking in my  
16 head that this was a multiyear issue of us rolling this  
17 out and that we would be helped by some -- as someone put  
18 it, the president or the administration in Congress in  
19 having this stimulus for a couple years.

20 I don't know why I don't know the answer to this  
21 question. I actually should, but you are saying that I  
22 should ask the school people?

23 MR. OLEA: Because I don't know the answer.

24 COM. NEWMAN: And I don't know the answer either.

25 Okay. I didn't get the answer to my question,

1 but hopefully somebody will help me with that or we will  
2 do some research on that issue.

3 I wanted to ask APS this question, because I'm  
4 concerned about the increasing tariff issue, or at least  
5 that is how I understand now what you said, that you  
6 needed to increase the tariff the next year; that would  
7 have been a better way of explaining it.

8 Okay. You are doing the commercials. I saw the  
9 commercials. I know about commercials. They do a lot for  
10 name recognition and understanding that there's this issue  
11 out there regarding the sun -- and I have this issue with  
12 all the utilities, not only you guys, but with all the  
13 utilities -- but when it comes to making people act, there  
14 is a community-based sort of situation where you actually  
15 have to focus in on the energy and then you literally get  
16 people out. It's almost sort of -- if I would have an  
17 election or political analogy, the commercials are there  
18 to make you aware that the people are there, but then you  
19 have to get the people out to vote. The vote counts.

20 So I don't understand the utility model. I would  
21 put it in a different way than the Chairwoman has. I am  
22 trying to be -- have a discourse about this. I don't  
23 understand it.

24 And so, I mean, you stop this thing in April.  
25 You didn't go back to the residential, and I'm just -- you

1 know, I'm just asking as a new commissioner and somebody  
2 who may be here eight years or the next three and a half  
3 years, what are you doing to fill the residential now? I  
4 don't -- I haven't really heard it.

5 MR. MAHRER: Chairman Mayes, Commissioner Newman,  
6 our marketing campaign is multifaceted. The TV and media  
7 ads draw consumer attention to the fact that incentives  
8 are available; they draw customers to our web sites -- to  
9 your web site. Over the last 18 months we have had a  
10 quarter million hits to the web site where we try to  
11 educate consumers on what this opportunity looks like for  
12 them.

13 Additionally we have invested, as I mentioned,  
14 heavily in our cooperative marketing campaigns, and  
15 frankly we see installers as our strongest allies in  
16 reaching customers directly. There is large force of  
17 people who are marketing to customers on a daily basis,  
18 touching our mutual customer.

19 COM. NEWMAN: By the way, I have had complaints  
20 that some of the marketers are scam artists as well.

21 MR. MAHRER: And indeed --

22 COM. NEWMAN: I am concerned with that.

23 MR. MAHRER: Indeed, Commissioner Newman. I had  
24 mentioned in my opening remarks that we started 2008 with  
25 less than 30 active installers. Today we have 130 active

1 installers. So there are two sides to growth, both the  
2 excitement of drawing new customers into our programs and  
3 equally the issues that come to light when you have such  
4 rapid growth.

5 But our cooperative marketing efforts puts money  
6 in our installers' hands to help them identify the most  
7 effective ways to market their product in front of  
8 consumers. So we invest a large amount of efforts in  
9 raising awareness to help our installers kind of break  
10 through the initial barriers, to show we are an ally in  
11 the residential markets, and then work collaboratively  
12 with our installers to make sure they can succeed in our  
13 marketing efforts.

14 COM. NEWMAN: So it's a business market model,  
15 talking about sort of the economic model is a pure  
16 business model. And I think what I'm learning, or least  
17 I'm trying to figure out, is the role of this Commission  
18 and how we change -- how these programs work.

19 Because I think -- because the way that industry  
20 has developed over the year and where we are now as a  
21 sophisticated utility, this is how you work; you work from  
22 business to business. And sometimes the ACC has to be  
23 there representing the people and RUCO because that is how  
24 you work.

25 But what I think I'm hearing today and what I

1 heard in the rate case -- and there's a new word that I'm  
2 going to use today, obdurate. I said a little bit  
3 obstinate the other day when I was referring to a utility  
4 company, a rural co-op. But it's obdurate. It's obduracy  
5 in a sense. I don't mean it in a nefarious way.

6           You don't -- I don't think the way to get through  
7 is from business to business. The way you get through is  
8 from -- we are asking you to be the get-go to the people.  
9 And I think I'm flashing on something that probably has  
10 never been uttered at a Commission meeting before. Maybe  
11 I'm out -- maybe I'm too out there, but I'm almost sure  
12 that that's the truth, that people want this. You have to  
13 get through to them.

14           MR. MAHRER: Chairman Mayes, Commissioner Newman,  
15 I will remind you that in this equation we don't sell the  
16 solar product to the consumer. And that is why the  
17 installer is our most important ally in defining what that  
18 product looks like at each customer site.

19           So the most important message we can deliver is  
20 our endorsement of their action and our availability of  
21 incentives.

22           COM. NEWMAN: It doesn't add up to me. I'm just  
23 telling you, I think we need a new model, but that will be  
24 something we will talk about in the 2010 plan.

25           I respect that you are trying to do something,



1 and I talk to you people enough to know you are trying to  
2 do something. But I'm telling you your model is a little  
3 off, and I wish I had -- you know, maybe I can help advise  
4 from this place. I know -- but --

5           So anyway, again on this April date, this is the  
6 one question I had when I got cut off before.

7           A lot of things have been going on in our lives  
8 trying to begin this job, and there are like thousands of  
9 issues and million of reams of pieces of paper. I'm not  
10 making a public admonition or feeling sorry for myself,  
11 but I missed this fact of this April date, you know,  
12 because -- I don't know why; I just missed it.

13           And I want to do something now about this as soon  
14 as possible because it's -- there is a lag that I'm  
15 concerned about, you know, with regard to spending money,  
16 especially with our Staff saying this needs to be done by  
17 the end of the year.

18           So how come -- what happened in April and how  
19 come you didn't know in January when we were elected to  
20 tell us that you were going to run out of the money so it  
21 was one of the first things on my agenda?

22           MR. MAHRER: Chairman Mayes, Commissioner Newman,  
23 I'll remind you of two important nuances: One, the  
24 residential markets are fully funded and have continued  
25 very nicely throughout the year increasing month over

1 month in participation and customer projects are indeed  
2 being funded and reserved on a daily basis.

3 In the nonresidential segment, admittedly in  
4 January and February and March we had not seen  
5 reservations, frankly, more than a few a month at best.

6 In April, for whatever group of circumstances that  
7 coalesced, we saw over \$100 million in requests.

8 So no matter how the nonresidential funds could  
9 have been allocated over one year, in one instant -- truly  
10 in one instant we realized that all of our funds would be  
11 committed, and that led to the incident being filed with  
12 the Commission, our request to raise the cap.

13 Indeed at that time forecasting that we were  
14 asking for more money than we expected would be needed  
15 through the end of the year. I will remind you at the  
16 time we filed our initial request we thought \$220 million  
17 would be sufficient to meet all of the demands for 2009  
18 and offer us the opportunity to be compliant through 2010.  
19 Today we sit here with \$285 million of requests. It was  
20 simply unpredictable.

21 COM. NEWMAN: So the perfect storm happened and  
22 President Obama got elected and you weren't expecting that  
23 to happen?

24 MR. MAHRER: I'm not sure if that was a question  
25 for me.

1 COM. NEWMAN: Yeah.

2 MR. MAHRER: I had no expectation on the  
3 presidential election. No one, I think, forecasted it  
4 would have such an immediate impact on our reservations.

5 COM. NEWMAN: One of two people are going to win.

6 The last part is my concern that -- which I'm  
7 just realizing -- I mean, I am just hearing it for the  
8 first time, the point that Mr. Pierce brought up. I mean,  
9 I have to view it from the most objective point of view  
10 possible. I'm sitting in Green Valley -- and lot of those  
11 Green Valley people would like solar but it's too  
12 expensive for them, they tell me. That's Green Valley.  
13 Sun City, your service territory, they feel the same way.

14 But, you know, I'm going to go out to Sun City  
15 and they will say, you are going to ask me in 2010 to add  
16 \$20 million so I can support schools, which -- I mean I  
17 barely want to pay taxes for to support schools.

18 What is the retirement community going to say to  
19 your request that you are asking us to make as part of  
20 this package?

21 MR. MAHRER: Chairman Mayes, Commissioner Newman,  
22 I think we have reached a juncture in our program where  
23 some difficult policy decisions are in front of us all.  
24 This is the first time in our program where simply not all  
25 projects that are in the pipeline are going to be funded.

1 And as part of that we have put together what we think is  
2 a reasonable menu to advance a diverse range of interests,  
3 including schools and including targeting well above  
4 compliance for our nonresidential sector and continuing to  
5 fund the residential market in hopes of achieving  
6 compliance in the near future.

7 But really what we brought before you is kind of  
8 this arena of difficult policy decisions.

9 COM. NEWMAN: Just a final question with regard  
10 to the -- I forget his name -- the gentleman who brought  
11 up the issue in a very airtight way of overbooking and  
12 what the Commission should be doing about that. I guess  
13 we will probably end up having a workshop about this  
14 subject in general.

15 But how would you respond to the gentleman who  
16 very correctly pointed out that perhaps the ACC needs to  
17 be in the business of monitoring your booking reservations  
18 so you are not messing up the market?

19 MR. MAHRER: Chairman Mayes, Commissioner Newman,  
20 I will remind you that the \$220 million request is in a  
21 sense an overbooking. It will provide us with the  
22 opportunity to accept more projects than are necessary for  
23 2009 compliance and more projects than are necessary for  
24 2010 compliance.

25 In addition we try to manage the program in the

1 most transparent and equitable fashion possible. So when  
2 consumers submit reservations for projects, we review  
3 those, and if they are complete, we approve those. And  
4 then we set some deadlines asking them to perform on that  
5 reservation. If they don't, those funds are released and  
6 put back into, if you will, the pot of available money to  
7 incent the next project in line.

8 COM. NEWMAN: Has the company thought about  
9 anything to put a surety on some of these projects? Not  
10 to the diminishment of school districts' applications or  
11 anything like that, but it seems to me that that was a  
12 wise suggestion.

13 MR. MAHRER: It's an excellent suggestion and one  
14 in fact that we have collaborated with stakeholders even  
15 very recently. And in our 2010 implementation plan we  
16 proposed to shorten and tighten up some of those timelines  
17 to, if you will, call the projects that have the least  
18 chance of success more quickly.

19 Indeed those proposals include reducing  
20 timelines, to signing a credit purchase agreement, and to  
21 affirming a customer contract to 30 days. We would be  
22 comfortable implementing that even today.

23 COM. NEWMAN: Thank you.

24 Thank you, Madam Chair, for your patience.

25 CHMN. MAYES: No problem.

1 Well, you raise an interesting point, Mr. Mahrer,  
2 which is that essentially we are doing with the commercial  
3 program what everyone seems to be afraid we would do with  
4 the residential piece down the road. We are overcharging  
5 the consumer potentially because you're oversubscribed on  
6 the commercial piece, and yet for some reason people are  
7 raising alarm bells that we might overcharge for the  
8 residential piece.

9 So I guess I don't get it. So can you explain to  
10 me why we should do this at all? I mean, if people are  
11 complaining about the notion that we would provide more  
12 money down the road for residential, then why should we do  
13 this at all today? It exceeds the Renewable Energy  
14 Standards.

15 MR. MAHRER: Chairman Mayes, as I think all of  
16 you Commissioners are aware, we have put together an  
17 implementation plan that exceeded the Renewable Energy  
18 Standard in every year. We have put together an  
19 implementation plan that exceeds the distributed energy  
20 requirement. We have put together a resource plan that  
21 does the same for years beyond.

22 The parallel to that answer is that a renewable  
23 energy standard that has annual targets affords us the  
24 opportunity to add resources when the markets are ready  
25 and the projects available. And so we see it as a great

1 opportunity to add distributed energy resources when the  
2 market is energized.

3 CHMN. MAYES: Okay. No pun intended. And, you  
4 know, I agree. Obviously, it's something that I'm  
5 prepared to approve, the PBI increase, but my point is  
6 made, I think.

7 Now try to follow me on this. If we give you the  
8 \$20 million from the residential program, doesn't that  
9 make it easier and cheaper to meet the commercial piece in  
10 which case you would have -- you would have more money for  
11 the residential piece potentially and isn't it then just a  
12 wash? Do you understand what I'm saying?

13 MR. MAHRER: Chairman Mayes, I do. I fear that  
14 the answer to your question is more complicated than it  
15 sounds on the surface because in large part nonresidential  
16 projects are incented through production-based incentives,  
17 which have a long, kind of, more visual lifespan, if you  
18 will.

19 CHMN. MAYES: Hang on.

20 Okay. Meaning what?

21 MR. MAHRER: Meaning, twofold: One, we have  
22 already proposed exceeding the nonresidential requirement.  
23 If you add \$20 million into that pot, if demand for  
24 residential were needed there --

25 I'm trying to figure out a way to communicate my

1 thoughts and that is very simply, the \$220 million is  
2 effectively spoken for, and so what you would -- you still  
3 don't have enough money in the pot for all the residential  
4 interests to achieve compliance there or beyond.

5 CHMN. MAYES: I didn't understand that last part.

6 I am going to go to Mr. Moyes -- you have been  
7 sitting patiently -- and Mr. Wene, you are intervenors and  
8 have every right to be heard in this matter as well.

9 Why don't you say your name for the record and  
10 who you represent.

11 MR. MOYES: Thank you, Madam Chairman,  
12 Commissioners, Jay Moyes with Moyes Sellers & Sims on  
13 behalf of the intervenor SunRun, Inc.

14 We have, and I have written down a lot of notes  
15 and a lot of points here, and because of the hour I'm not  
16 going to try to go into all of them but I think I will be  
17 a little bit, perhaps, bold and presumptuous in suggesting  
18 perhaps a pathway out of this for us.

19 And to get there I think it's important, as I  
20 believe the Chairman has on a couple occasions, at least  
21 today, alluded back to the rules and the REST program.

22 Just as an aside note, it strikes me that it's a  
23 fair question to ask why this isn't a 252 proceeding  
24 because it's really amending an order that adopted a plan.  
25 And then in addition to that, it's specifically requesting



1 a change in the rules. There was a rulemaking proceeding  
2 that resulted in the 50/50 allocation.

3 On a previous occasion this year APS -- I believe  
4 it was this year or at least recently -- asked for a  
5 change in that allocation, and the Commission I think  
6 correctly said, no; that's a rule we arrived at through a  
7 long process with lots of stakeholders, lots of input, and  
8 we concluded that that was the right policy.

9 There are portions of what we are being asked to  
10 do today by APS's application that are, in fact, not  
11 modifications of the rules. And portions of what are  
12 being asked for with respect to the shifting of RECs are,  
13 in fact, contradictory on the rules.

14 I think that the issues that I have heard the  
15 most somewhat contradictory commentary and debate and  
16 concern about today have to do with whether this should be  
17 shifted to the UFI incentive or a PBI incentive, whether  
18 the UFI cap ought to be lifted as it so necessarily and  
19 implicitly has to do if you convert these school contracts  
20 to UFI contracts, and it seems to me that that issue could  
21 arguably be better understood and a better decision  
22 reached about that with some additional financial  
23 analysis, testimony, hearing, some deferral, if you will,  
24 of that. And I don't think that a decision about that  
25 today is necessary in order for the schools to go forward

1 with what we all think is a good thing.

2 And certainly SunRun, Inc., as it's intervening  
3 here, in no way was intending to be in opposition to  
4 anything that helped the schools. But there are a couple  
5 of really important, critical facts that have to be  
6 remembered here.

7 First of all, there is no legal or necessarily a  
8 policy link between the dollars and the REC credits. The  
9 rules deal with APS's obligation to come up with  
10 sufficient RECs credits in both sides of the bucket, if  
11 you will, the nonresidential and the residential.

12 But there is nothing that says, as your amendment  
13 No. 2, Madam Chair, proposes, that the dollars could be  
14 shifted but that the RECs in effect don't get shifted out  
15 of the residential bucket.

16 Another critical factor here -- and you  
17 mentioned, Madam Chairman, that this is into perpetuity --  
18 it's important to remember that a one-year shift in  
19 dollars that gives rise to a shift in REC credits for the  
20 contracts funded by those dollars is, in fact, a 20- or  
21 30-year shift of the REC credits. We intend -- we believe  
22 that the appropriate incentive to attach to a contract  
23 that has a 20- or 30-year life is a PBI incentive because  
24 that is your performance guarantee.

25 The focus of this whole REST program is renewable

1 energy, and the credits ought to track the energy. And as  
2 energy is produced, the credits should be produced and the  
3 incentives should be paid. And that is what the PBI  
4 approach does as opposed to funding up front all of the  
5 dollars.

6 An additional point in connection with that that  
7 we seem to get confused in this discussion today is, the  
8 dollars don't go to the schools and it's not a question of  
9 how much money do the schools have to come up with, it's  
10 the provider of the SSA who is putting up the money and  
11 putting it in the system. That is where the dollars are  
12 going.

13 The credits are a function of APS's obligations  
14 to meet a renewable energy standard. The credits don't  
15 affect the schools. In fact, the credits don't affect the  
16 provider. And we tend to get all this mixed together  
17 sometimes in a way that makes it difficult to sort through  
18 it.

19 We believe that the Chairman's amendment No. 2,  
20 as applied to bullets 1 through 3 and bullet 6, are  
21 appropriate and could be adopted today and in doing so  
22 would not constitute a contradiction of the rules or a new  
23 ruling, which this proceeding is not a rulemaking. We  
24 believe bullets 4 and 5 touch on areas that, in fact, need  
25 more evaluation, need more discussion and dialogue.

1           We have heard statements that the UFIs are  
2   necessary, actually mandatory in order to get financing,  
3   and yet I have seen in this proceeding's paperwork  
4   reference to a lot of SSA contracts that presumably were  
5   based on PBIs, because that is what the rule provided for,  
6   at 11 cents.

7           So, you know, which is it? If you were marketing  
8   on a PBI basis and you offered a contract at 11 cents --  
9   and some schools have said, if I don't get 11 cents, I  
10   will terminate my contract, so so much for my reservation,  
11   and yet there seems to be this presumption that if we  
12   don't get the UFIs, we can't do these contracts.

13          So something doesn't compute there for me. There  
14   seems to be a mismatch. And I think that whole issue is  
15   something that deserves more evaluation and consideration  
16   before we change the REC credits or we make a decision  
17   about whether it ought to be UFIs or PBIs. But in the  
18   meantime today you could, and we would support, the  
19   raising of the guarantees.

20          In that vein, I will also add, the same crystal  
21   ball that was used to say the 77 million was going to be  
22   enough and the now 220 a month ago was going to be enough  
23   and now it's maybe 280, that's the same crystal ball that  
24   is being looked at to say that the residential market is  
25   not going to fill its opportunity.

1           The residential market is embryonic today  
2 compared to the commercial marketplace. We need to let it  
3 grow. We need to give it opportunity. We need -- and if  
4 we are taking dollars for schools today because it's a  
5 good thing to do and there's a timing driver that says  
6 that is what we ought to be doing -- I agree with that --  
7 those dollars ought to come back to the residential pool  
8 so that it isn't disadvantaged.

9           At some point in time when the residential demand  
10 is there, those dollars ought to be there to match up to  
11 it. That is what we are saying when we adopted this  
12 program in the first place, and we mandated that  
13 50 percent to the residential market. Drivers ought to  
14 have the opportunity to rely on that when the demand is  
15 there and they will develop it. And we have seen the  
16 doubling and who knows if it's going to be a quadrupling  
17 in the future.

18           The modification of their administration plan is  
19 something that can be done. That is what ought to happen,  
20 in our opinion. We ought to leave the UFI and PBI thing  
21 alone for the moment, in our opinion, and get the money  
22 out there for the school contracts that are pending and  
23 awaiting and see if they are for real. We think many of  
24 them are, and we support very much the proposal that would  
25 help out the schools.

1 But we are pretty firmly opposed to the notion of  
2 transferring 20 years' or 30 years' worth of credits on  
3 the basis of one year's shift of some dollars.

4 It seems like I had one additional point I wanted  
5 to make.

6 CHMN. MAYES: Well, Mr. Moyes, let me jump in and  
7 ask you a question or two.

8 Do you think that the allocation of the credits  
9 is something that could be dealt with in the  
10 implementation plan or -- I mean, is your position that we  
11 ought to pass my amendment, which does not allow them to  
12 reallocate the -- because I share your concern about this  
13 permanent reallocation of the credits.

14 MR. MOYES: Clearly the lateral -- if I might.

15 I don't mean to stop the rest of your question,  
16 but we would agree that -- and it goes to the issue of,  
17 you know, is a school a residence? It isn't a residence.  
18 We can make this determination today that we want to shift  
19 some money and help schools, and we don't have to call  
20 them residences to do that.

21 In fact, the schools' association, I think, has  
22 filed a letter that says they don't support changing it to  
23 a residence. That is a little bit too much of a fiction  
24 that begs, are we changing the rules? But we can shift  
25 dollars, and we can help support what needs to happen on

1 the dollars' front.

2 I guess my point is, all good things don't  
3 necessarily have an equal and opposite bad thing that has  
4 to happen when you are doing a good thing. What was  
5 proposed here, in my opinion, had some good things, but it  
6 also had some bad things in it that don't have to  
7 necessarily be linked.

8 We would like to see the good things happen, and  
9 I think you have the authority to do that without doing  
10 injustice to the procedural issues or rulemaking and so  
11 forth. And I think I would suggest that we would be happy  
12 with a decision that says these are going to be PBI  
13 contracts, but if you are not prepared to make that  
14 decision tonight, and it sounds like maybe tomorrow, that  
15 could be deferred and debated and discussed some more.

16 CHMN. MAYES: Commissioner Pierce.

17 COM. PIERCE: Thank you. Interesting, Mr. Moyes.  
18 I want to make -- I want to be clear, and I'm looking at  
19 APS's 2010 -- and I know you don't probably have this --  
20 the 2010 renewable energy cost. What they have done is  
21 they have allocated commercial DG at 19 million. That is  
22 what it says that they will have. The total is, of the  
23 whole implementation for 2010, is 85.5 million.

24 So I just want to make this clear for the record,  
25 are you suggesting that commercial DG go down to

1 20 million to make up for this hole or are you suggesting  
2 that the 85.5 million, if this were all done in 2010, be  
3 upped to 105.5 million? I guess I want to make sure who  
4 you are proposing is going to pay for this because it's  
5 coming down to that. Somewhere along the way the 20  
6 million is going to have to be accounted for.

7 Who are you proposing to pay for it? We know  
8 ratepayers pay for it, but my guess -- are you proposing  
9 the ratepayers pay that 20 million again or are you  
10 proposing that we take it out of the commercial side at  
11 some point ongoing?

12 MR. MOYES: We have heard APS indicate to us that  
13 they already are in excess of compliance for 2009 and for  
14 2010. So it would seem not inappropriate, if the demand  
15 is there on the residential side in 2010, that the dollars  
16 come back out of the side on which they have already  
17 achieved compliance with their standard and then let's  
18 look to the future years for whether or not additional  
19 dollars are needed to meet compliance with those years.

20 I mean, if I'm a car salesman and I make  
21 10 percent commission on every car I sell, I would a lot  
22 rather sell a few Ferraris at a few million apiece and  
23 have those sales provide my income with three or four  
24 sales as opposed to selling a bunch of used VWs that I  
25 make a penny off of, but I have to deal with all of those



1 different customers.

2           What you have said in your policy decision and  
3 the rules is that part of this program for the benefit of  
4 the Arizona citizens is you will have to deal with all of  
5 those residential VW contracts and you can't just solve  
6 this requirement with a big chunk.

7           We have heard testimony or statements today that  
8 one of the schools has 6 megawatts of projects standing  
9 by. I'm not here to tell you you shouldn't -- in an ideal  
10 world that it wouldn't be wonderful that we could just  
11 fund all 6 megawatts of that, but at two and quarter a  
12 watt, that is a lot of money. That is 15 -- \$13.5 million  
13 just for that one school's contracts. If you do that in a  
14 UFI, that is one up-front chunk of money that goes not to  
15 the school, to the provider who is then going to install  
16 the system and he is going to have that money for the life  
17 of that. On a net-present-value basis, it's a smoking  
18 deal.

19           Again, I'm not here to attack either the  
20 providers who want to use UFIs or the school projects. My  
21 point is that there are at some point -- I think as  
22 Commission Pierce is indicating -- at some point you have  
23 to balance how much is this costing the ratepayers and at  
24 what point in time?

25           But if we are going to shift out of the

1 residential market \$20 million worth of opportunity and we  
2 have already achieved success on the commercial side for  
3 at least a couple years and maybe more, then it's probably  
4 not unreasonable to think that some of that maybe ought to  
5 come back if the demand is there at the end of 2009 or the  
6 middle of 2010 or whatever it is. Then you have not  
7 stained the opportunity on the residential side to achieve  
8 what was again your fundamental rules-based program here  
9 of 50/50.

10 COM. PIERCE: Okay. What you just said -- and I  
11 look at this and there is 19 million for 2010 -- some of  
12 that is committed into the future.

13 So what I'm thinking is, you can virtually shut  
14 commercial down for two years, not just one year, but  
15 maybe beyond that because there is committed funds already  
16 as a part of that, unless the Commission changes the  
17 rules; isn't that correct? There would have to be the  
18 change of some sort to prevent that from happening?

19 MR. MOYES: There is only so much money to go  
20 around.

21 COM. PIERCE: Exactly.

22 MR. MOYES: You made that decision before and  
23 implemented the rules to say it's 50/50 on energy credits.

24 COM. PIERCE: I would suggest to you that there  
25 are a whole lot of people in the room that would now like

1 to comment. We are past that, but I'm sure that there is  
2 concern out there.

3 MR. MOYES: Well, there is a plus and a minus to  
4 being last.

5 COM. PIERCE: Thank you. Thank you.

6 COM. NEWMAN: And not having a boss.

7 CHMN. MAYES: Well, I guess, you know, would you  
8 agree with me that part of the problem here is that the  
9 schools get crowded out to begin with? I mean, maybe they  
10 belonged in the commercial program. We had this situated,  
11 maybe by no one's fault necessarily, because who knew that  
12 the ARRA funding was going to come in and who knew that we  
13 would have this opportunity, but if all things being  
14 equal, at the beginning of the year and during this year,  
15 what has happened is we have had a lot of sophisticated  
16 entities -- Wal-Mart is doing this, Gatorade -- a lot of  
17 these companies came in and they -- I mean, these are  
18 entities that have energy managers. They pay people to  
19 figure all this stuff out. The schools don't necessarily  
20 have that. Maybe one or two of them do, but not all of  
21 them do.

22 And so they have this opportunity for the money.  
23 They have -- but they didn't -- they're apparently not in  
24 line. They didn't get in line, so they have been crowded  
25 out. APS is forced to come in because they have had so

1 much commercial interest, and so now the schools can't --  
2 maybe this is a question for Mr. Mahrer -- so now the  
3 schools can't compete for that money; isn't that right?

4 I mean, if we were at \$50 million -- I guess the  
5 cap is \$70 million -- then the schools would have that  
6 opportunity, wouldn't they? Would we be having this  
7 discussion?

8 MR. MAHRER: You know, we are having the  
9 discussion with a cap today of \$77 million.

10 CHMN. MAYES: Right.

11 MR. MAHRER: I think to an extent we ought to  
12 listen to the schools on this subject. We, I think it's  
13 been mentioned several times, have a program where  
14 projects that are submitted are ranked based on kind of  
15 the economic criteria, and any one of those projects can,  
16 you know, augment one factor or another to increase their  
17 likelihood of being funded.

18 Simply when we had the opportunity to look at  
19 that list, look at the priorities the Commission had set  
20 out for schools and for the remainder of the year, we  
21 noted there was a chance that some of these school  
22 projects would not be the first ones selected for funding.

23 So perhaps if the cap were much lower and the  
24 opportunity for some of these other projects were less  
25 appealing, maybe schools would have had an opportunity.

1 CHMN. MAYES: And that is my concern. I mean,  
2 now we are faced with robbing the residential ratepayers  
3 down the road of their RECs. When the residential program  
4 comes to maturity -- and I think it will probably in the  
5 next five years -- they will not have the opportunity --  
6 the \$20 million worth of opportunity because for whatever  
7 reason this year the schools couldn't get in line or  
8 weren't allowed in line or didn't get in line.

9 Why is that fair to residential ratepayers down  
10 the road? Again, I think this Commission is going to make  
11 sure that the \$20 million goes to the schools, but the  
12 question is about the RECs.

13 MR. MAHRER: So for brief a moment, not speaking  
14 to the funding element, what I can tell you is when the  
15 residential market does mature and does meet all of our  
16 expectations for customer demand, we will come before you  
17 and ask you for an opportunity to fund projects above  
18 compliance. Again I will remind you that that is exactly  
19 what we are doing here with respect to nonresidential  
20 projects, asking you to help us with a difficult decision  
21 around that. And when the residential markets reach that  
22 point, with or without this hole, this plug we are talking  
23 about, we will come to you and ask you for that  
24 opportunity as well.

25 CHMN. MAYES: Okay. Well, what I'm displeased

1 about is the fact that it seems to me you haven't done a  
2 whole heck of a lot. And I have to tell you, I agree with  
3 Mr. Moyes completely here; you haven't done what you  
4 should have done to go out and work with those used VW  
5 Bugs. I don't know if we should call residential  
6 ratepayers VW Bugs, but that is what we are talking about.

7 This is hard for utilities. It's not your  
8 business model. It's not necessarily what you want to be  
9 doing, but this is the rule. You knew the rule two years  
10 ago, and you haven't met it. Okay. And I know you can  
11 sit there and blame the residential ratepayers all day  
12 long and for the rest of the night if you want to, but  
13 when utilities want -- it's my experience when utilities  
14 really want to get something done, you can get something  
15 done.

16 You are the most powerful corporation in the  
17 state of Arizona, and you haven't been able to meet this  
18 portion of a major rule. And that is on you.

19 So I guess I'm giving you an opportunity now,  
20 Mr. Mahrer, to tell us, A, why you haven't gotten that  
21 done and what you have done in the last nine months to  
22 change what you are doing and what you are doing wrong.

23 MR. MAHRER: Chairman Mayes, I will respond by  
24 saying first, this is exactly what I want to be doing, is  
25 bringing renewable energy to all of our customers,

1 including residential.

2 CHMN. MAYES: This is what you want to be doing.

3 MR. MAHRER: This is what I want to be doing.

4 CHMN. MAYES: I know. I know.

5 MR. MAHRER: Just so the record is clear, this is  
6 exactly what I want to be doing.

7 CHMN. MAYES: I know you are a true believer.

8 MR. MAHRER: And that said, I think we're faced  
9 with a whole range of challenges, starting with the  
10 current economic condition, and that is just a context for  
11 everything else.

12 We work very hard with all of our installers to  
13 identify the best ways to reach our markets. The single  
14 largest kind of point to that is that we raised consumer  
15 awareness over 120 percent in less than 18 months.

16 Now, from every marketing perspective I think  
17 people will agree that the first thing you have to do in  
18 order to energize a market is create awareness of the  
19 opportunity. We have been lucky with the current  
20 president helping us raise awareness, but, in fact,  
21 raising consumer awareness is the number one most  
22 difficult thing to do, and that we have exceeded at over  
23 120 percent.

24 Are there other marketing avenues that could be  
25 pursued? I am sure there is a whole wide range of things,

1 and as the markets mature, we will learn where to go there  
2 too.

3 CHMN. MAYES: Okay. But you haven't done, for  
4 instance, what they have done in California with direct  
5 contact?

6 MR. MAHRER: Commissioner Mayes, I will remind  
7 you, we made 1.6 million direct --

8 CHMN. MAYES: No. No. Human contact,  
9 door-to-door.

10 MR. MAHRER: We have attended dozens, if not  
11 more, events.

12 CHMN. MAYES: The answer is no. I know you did  
13 the events. Okay. Well, that says it all.

14 But you are not doing what California is doing,  
15 are you, and New Jersey? Do you know what they do there?  
16 Are you familiar with their programs?

17 MR. MAHRER: I'm indeed familiar with their  
18 programs.

19 CHMN. MAYES: Okay. Commissioner Newman.

20 COM. NEWMAN: So that is -- it's the same  
21 thing -- I think the Chair was sort of making the same  
22 point that I have tried to make earlier. You know what is  
23 going on in New Jersey, I say with my 30 -- with my  
24 long-time New Jersey accent. You know what is going on in  
25 California. I just don't understand the model, the pickle



1 salesmen are the entrepreneurs -- you are relying on your  
2 list of approved installers. That is what you are relying  
3 on -- and this has been going on for a long time, before I  
4 got elected -- and that model is not going to work. The  
5 installers can't be pickle salesmen in this model.

6 We -- other states -- and actually, I had a  
7 proposal that I mentioned that Vermont has also some  
8 interesting programs that increase awareness and increase  
9 use of their distributed generation.

10 So anyway, there are all these models out there,  
11 and so I just -- you know, I don't want to order you to do  
12 it, you know, unless I have to. But we gave you a lot of  
13 money. You could have taken a portion of that money and  
14 just done one of those.

15 So, I mean, I want a commitment. I would like  
16 to see -- you know, you want us to switch the money over;  
17 give us a commitment that you are going to use the money  
18 at least next year to do more than the pickle salesmen's  
19 model.

20 MR. MAHRER: Chairman Mayes, Commissioner Newman,  
21 I'm sure you are aware that we filed in a separate docket  
22 a program called the Community Power Project where indeed  
23 we are going directly to the customer with renewable  
24 energy systems -- solar, solar electric, solar thermal --  
25 and we are exploring ways to perhaps be effective in that

1 direct engagement with the customer, also to change some  
2 of the economic paradigms, to remove the up-front costs,  
3 to remove the operation and maintenance concerns that some  
4 customers may have. And we hope to learn a lot from that,  
5 and maybe we will learn that there are approaches that we  
6 are particularly effective at.

7 COM. NEWMAN: And I don't want to get into the  
8 other case that we probably can't talk about here, but,  
9 you know, I approve -- I think there are differences of  
10 opinion, but I approve, for example, the program that  
11 you're implementing in Flagstaff. That is one of your  
12 test pilot things that I would like to see expanded, quite  
13 frankly. And I don't -- and what I'm a little bit afraid  
14 about that -- I mean, it will raise awareness in the place  
15 that has pretty high awareness, Flagstaff, but, you know,  
16 that could go anywhere. It's very expensive, by the way,  
17 to do that. I'm a little bit -- I fear those costs.

18 What I want to say without stepping into the  
19 other case is that I would like to see more of that but  
20 not necessarily giveaways. And that is what you could be  
21 doing. And I think that is what they are doing in  
22 California and New Jersey and Vermont.

23 Any comment, just as to my last question? I  
24 don't want to wait three years for you to study Flagstaff  
25 and how smart meters interact with 250 people in

1 Flagstaff. I would like to see this happen statewide. I  
2 mean, that -- I'm okay with that experiment. And you are  
3 in charge. Buck stops with you.

4 MR. MAHRER: Chairman Mayes, Commissioner Newman,  
5 the buck probably doesn't stop with me, just in case  
6 anybody was concerned. But in truth, you know, the  
7 paradigm that we are looking at, you know, today -- and we  
8 have heard from several of the public commenters -- solar  
9 photovoltaics remain an expensive option.

10 So in Flagstaff we have, you know, our project  
11 that illustrates that there are costs. Likewise, you  
12 know, we are talking about a residential market segment  
13 that is not yet meeting all of our expectations, largely  
14 because of costs.

15 So I think over time we are hopeful that the  
16 costs will come down. That will help and give us new  
17 opportunities. There are exciting market entrances, like  
18 SunRun and SolarCity, that are shifting how those costs  
19 are allocated and how they are distributed over time.

20 And I think that, you know, one of the comments  
21 made here from Mr. Moyes was that we are looking at a  
22 nascent market, and the residential market will shape  
23 itself. We will see exciting new changes, and trying to  
24 predict exactly which button to push today to affect  
25 five years from now is a difficult challenge.

1 COM. NEWMAN: Thank you. I don't want to belabor  
2 this point, but you understand the direction where I'm  
3 coming from in terms of disseminating -- more than  
4 disseminating commercial. Thank you.

5 CHMN. MAYES: Yeah, I think it's pretty clear  
6 that APS needs to focus much more on its residential  
7 program. I mean, you know, I don't think it could be any  
8 clearer, and I'm going to continue to harp on that point  
9 until I'm done here at the Commission. So just get ready  
10 for that.

11 Here is what I want to do, Colleagues -- well,  
12 Staff, we haven't really gotten to Staff.

13 Does Staff have any overall comments about the  
14 item? I know you had commented earlier.

15 Mr. Olea.

16 MR. OLEA: Just as a reminder, the order in front  
17 of you doesn't say anything about schools. That is  
18 Staff's comment.

19 CHMN. MAYES: I know. I realize that. My  
20 amendment is the only thing that says something about  
21 schools; although, Commissioner Pierce has some -- several  
22 amendments that he just dropped today that, while they  
23 seem to mimic the language in my amendments, are radically  
24 different from my amendment by virtue of change of one or  
25 two words.

1 I want to apologize to my colleagues who want to  
2 move forward with this item today. I do too, but  
3 Commissioner Pierce has offered several amendments today.  
4 I don't think we can move forward on those amendments  
5 today. I do think that as a Commission we need to talk  
6 about this issue of amendments being dropped on the day of  
7 the vote.

8 So what I would propose to do is to take up the  
9 amendment that Commissioner Pierce has on bifurcating the  
10 matter. It's not my choice. It's not my druthers, but I  
11 do think we need to dispose of the PBI issue now, and then  
12 obviously we will have to deal with the schools issue in  
13 two weeks.

14 And again, I apologize to my colleagues. I think  
15 some of you wanted to move forward with this entire item,  
16 and then we will talk about the issues that I addressed  
17 earlier at an upcoming Staff meeting.

18 Commissioner Pierce, do you want to move that?

19 COM. PIERCE: Madam Chair, I move item U-22.

20 CHMN. MAYES: Okay. Item U-22 has been moved.

21 And, Commissioner Pierce, you have two  
22 amendments -- well, I guess have you more than two  
23 amendments.

24 Let me first say, I don't intend to -- I don't  
25 think we should move forward with anything besides frankly

1 the amendment that you have that would bifurcate this  
2 matter, and if you have a different notion, then I'm going  
3 to move forward with the entire matter.

4 Let me get this on the record, Commissioner  
5 Pierce.

6 Do you agree with me?

7 COM. PIERCE: Right.

8 CHMN. MAYES: So all you would do is offer  
9 Amendment No. 2?

10 COM. PIERCE: Madam Chair, if we are going to  
11 take on the rest of the issues, the PBI cap, then  
12 that is --

13 CHMN. MAYES: Do you want to offer that one? I'm  
14 not a particular fan of it, but do you want to offer it?

15 COM. PIERCE: I will, if it doesn't -- I mean,  
16 you can decide what you want -- whether -- I appreciate  
17 that you are not a fan.

18 CHMN. MAYES: But you want to offer it anyway?

19 COM. PIERCE: I will be offering these  
20 amendments, and the other two obviously would not be  
21 offered today, if this passes.

22 So, Madam Chair, I move for Pierce Proposed  
23 Amendment No. 2. This amendment will require APS to  
24 provide notice to all schools in its service territory of  
25 its proposal to classify school projects as

1 residential-distributed energy. Certainly APS's proposal  
2 in this regard is known by many school districts in the  
3 Valley, but I'm worried about some of the districts that  
4 might have fallen through the cracks, such as some of the  
5 rural districts that I am acquainted with and I know that  
6 other Commissioners are acquainted with.

7 That is the sum total of my amendment.

8 CHMN. MAYES: Comments from the company?

9 MS. SCOTT: Chairman Mayes, Commissioner Pierce,  
10 we can certainly make this notice. My only concern is  
11 I -- generally when we are ordered to provide notice, you  
12 give us actual language, and I have no problem drafting  
13 something that provides notice that we filed this request  
14 and to indicate when it would be coming back to the  
15 Commission for open meeting.

16 I just -- with three days to get this out the  
17 door, there is not a lot of time to do reviews and  
18 rewrites, and I'm not sure exactly how from a practical  
19 matter you would like it handled.

20 COM. PIERCE: Well, in the amendment in the  
21 middle of the paragraph it says, "The Commission believes  
22 that APS should provide notice to all school districts in  
23 its service territory regarding APS's request to treat  
24 school projects as residential."

25 That's the notice to the school districts and

1 what that means, what residential means to the school  
2 districts.

3 Do you understand what that means? Because we  
4 have had quite a dialogue of what that may or may not  
5 mean.

6 MS. SCOTT: I would have to say I'm a little bit  
7 more confused now.

8 COM. PIERCE: I'm not sure how I would have  
9 worded that because I'm not sure.

10 MS. SCOTT: Would it be sufficient to provide a  
11 letter to the school districts, a cover letter that stated  
12 that this matter has been heard by the Commission, that it  
13 will be taken up at the open meeting, whatever open  
14 meeting you decide, and then to attach the supplemental  
15 filing we made in this docket that lays this out?

16 Now, I can go as far as, we have made, I believe,  
17 three filings related to this -- maybe it's only two --  
18 but actually put the pleadings in there and send it to  
19 them so they have the whole package. Would that be  
20 sufficient notice? Again, I just want to make sure  
21 whatever we do is --

22 COM. PIERCE: I think a filing and a short  
23 summary would be fine.

24 MS. SCOTT: Okay.

25 COM. PIERCE: There are issues that I think they



1 would be interested in, but more than anything, I wanted  
2 to see there is an opportunity for them to comment and  
3 recognize that there might be something advantageous for  
4 them.

5 MS. SCOTT: Opportunity to comment and appear if  
6 they so wish, we can do that.

7 COM. PIERCE: Thank you.

8 CHMN. MAYES: And then are my colleagues in  
9 agreement that we will hear this items in two weeks at the  
10 security open meeting? If there is not agreement on that,  
11 then we are going to move forward tonight.

12 COM. PIERCE: Madam Chair, I presume that -- we  
13 can presume that that is enough time. I think -- you  
14 know, we at the Commission have been very cautious about  
15 notice and making sure people have enough notice, and then  
16 we can reasonably expect that they respond in that amount  
17 of time.

18 CHMN. MAYES: Now, that is a different deal,  
19 Commissioner Pierce.

20 What do you mean "reasonably expected"? If you  
21 don't get feedback, then you would try to push this off?  
22 Is that what you are saying?

23 COM. PIERCE: Well, Madam Chair, what I'm saying  
24 is that I want reasonable -- I think we should want to  
25 have a reasonable response period. I would hope that,

1 yes, we could do it. It's my intent that if this is -- if  
2 we've fulfilled our obligation with notice, then, yes, we  
3 should be back here at the securities open meeting.

4 CHMN. MAYES: So you won't seek to push this off?

5 COM. PIERCE: No.

6 CHMN. MAYES: Okay.

7 COM. PIERCE: I mean, that's correct.

8 CHMN. MAYES: Okay. Commissioner Newman.

9 COM. NEWMAN: Thank you, Madam Chair, and this is  
10 collegial stuff, should be collegial, and, you know, I  
11 respect Mr. Pierce's notice requirement.

12 I mean, there are deadlines here. I wish I could  
13 have done this today. This was more than a full raising  
14 of all the issues. And I know for a fact -- I know for a  
15 fact I did not personally contact all the school  
16 districts, but I know when I found out about the magnitude  
17 of these cases, that I let school boards -- I let everyone  
18 in the education community know about this that I knew was  
19 in the network, if you will, from the school board  
20 associations, teachers union to you name it. I know that  
21 this is on people's list.

22 So, I mean, I want to -- in the spirit of  
23 collegiality and due process, I want to make sure -- go  
24 overboard in trying to help a colleague to pass something  
25 that has to do with notice and due process, but with the

1 judge's -- with the admonition that came from the -- not  
2 admonition, but sort of ruling that the judge had in the  
3 case, plus I know my own efforts and probably the Chair's  
4 efforts, I can't imagine a party that wasn't noticed about  
5 this.

6           So I don't want to, you know, vote no and risk  
7 noncollegiality and I want to be able to still call this  
8 Commission the cooperative corporation commission -- or  
9 cooperation commission, as I would like to call it, and  
10 try to support this, but I really think this needs to be  
11 done as soon as possible. And I would not want to see it  
12 delayed more than two weeks at the next securities  
13 meeting. And, you know, I hope that everyone respects  
14 that as well, because this is very, very important to the  
15 school constituencies.

16           MS. SCOTT: Chairman, could I just responsible to  
17 the notice issue?

18           CHMN. MAYES: Yes.

19           MS. SCOTT: My intention was to provide notice to  
20 all of the schools from the procedural order in the  
21 SolarCity docket. I do not believe that includes teachers  
22 unions and those kind of things.

23           COM. NEWMAN: I think it should be.

24           MS. SCOTT: And if it requires more than the list  
25 that we have been providing notice to through SolarCity,

1 frankly I'm not sure how long it will take to gather all  
2 of that information. It could --

3 So if it's the list that the hearing officer  
4 ordered in SolarCity, which is 17 pages of two columns of  
5 school districts within our service territory and in the  
6 rural areas, it's doable within a couple of days. If it's  
7 more than that, honestly, I just don't know how we gather  
8 all that information up.

9 CHMN. MAYES: Well, and I was worried about that,  
10 too. Commissioner Pierce's amendment says "all school  
11 districts in your service territory."

12 So I guess what APS is telling us is you don't  
13 necessarily have that at your fingertips.

14 MS. SCOTT: Again, what I have is --

15 CHMN. MAYES: Well, I know what you have.

16 Is that all of the school districts in your  
17 service territory?

18 MS. SCOTT: Sitting here today I can't tell you  
19 that for sure. They are from little towns all over the  
20 state.

21 But again, this came from the Hearing Division  
22 and not from APS, so I don't know what the answer of that  
23 is.

24 COM. NEWMAN: Madam Chair, to this point -- I  
25 don't want to break in on Sandra -- but I mean it is

1 fairly simple. All the school districts and then you have  
2 to notice school board associations. They will know --  
3 these people work in the education industry -- there is an  
4 incredible network of teachers and school board officials  
5 all over this state. And they in general know. I know  
6 because I actually called them to let them know that these  
7 cases existed. So they will know already.

8 So I can't believe that APS would not know. I  
9 mean, Mr. Schultz has made a big deal of consolidating all  
10 the school boards all over the state. He certainly knows  
11 the number of school board associations.

12 So what is the big deal? Just call the education  
13 community. Notice them. We don't have to give you  
14 specifically the -- just notice them.

15 MS. SCOTT: Chairman Mayes, Commissioner Newman,  
16 it's not that it's a big deal. It's three days to get the  
17 job done.

18 COM. NEWMAN: I understand.

19 MS. SCOTT: That is what concerns me.

20 Counsel for SolarCity just told me that the list  
21 is all of the school districts in the state.

22 CHMN. MAYES: Okay. Well, then you are good.  
23 Okay. So that is doable.

24 Commissioner Kennedy.

25 COM. KENNEDY: Thank you, Madam Chair.

1 I don't see Mr. Hogan here -- I think he is  
2 gone -- but he represents ASBA and AASBO, and I think  
3 right here in the letter it states that they are in full  
4 support. They have been notified. I believe this  
5 ordering paragraph has been fulfilled and all the  
6 stakeholders have been notified right here.

7 COM. NEWMAN: I think you are right.

8 CHMN. MAYES: Good point, Commissioner Kennedy.

9 Okay. Well, Commissioner Pierce, with that, do  
10 you recognize that then satisfies your amendment?

11 COM. PIERCE: No, actually, Madam Chair. I  
12 appreciate that there is a letter from --

13 CHMN. MAYES: No, the SolarCity list.

14 COM. PIERCE: Oh, I'm sorry. Yes, the SolarCity  
15 list, yeah, I was pleased that -- because I think the  
16 amendment calls for in their service territory. But if  
17 you want to send that off, I mean, honestly I think -- I  
18 think it tees it up for school districts in the future to  
19 be thinking about it even if they become part of the  
20 production-based incentive. So I would like them to be  
21 thinking about it.

22 CHMN. MAYES: Commissioner Kennedy.

23 COM. KENNEDY: Madam Chair, Commissioner Pierce,  
24 is there a district that you know of that did not get  
25 notified? Is that really the concern?

1 COM. PIERCE: Well, I guess the question would  
2 be, do you know that all districts have been notified?  
3 That is the question. And I don't believe -- I can't  
4 answer that. I suspect they have not. I suspect a  
5 majority of them are not aware of this proceeding. So  
6 that is the -- is where I'm coming from.

7 COM. KENNEDY: Well, my opinion, I think they  
8 have. I just think we are sending the company out to do  
9 double duty, but okay.

10 CHMN. MAYES: Thank you, Commissioner Kennedy.

11 All right. Let me ask Staff this. Basically if  
12 we -- Commissioner Pierce's amendment would separate out  
13 schools from the PBI order in front of us, what that means  
14 as a practical matter for our Staff is that Staff would be  
15 then required to go back and write another order for  
16 two weeks from now on the schools' issue specifically,  
17 correct, and then all the Commissioners who have offered  
18 amendments would be required then to reform their  
19 amendments to the new order?

20 MR. OLEA: Yes, Madam Chair, Commissioners, and  
21 that would be my understanding.

22 And based on Mr. Williamson's schedule, because  
23 he will be out of town for a while, we are going to try to  
24 get that order to you by September 2nd, because he is gone  
25 after that until pretty much up to the open meeting date

1 of September 10th.

2 And I don't know if Ms. Alward has a different  
3 concept on the process, but we would plan on writing what  
4 we will call a supplemental memo and supplemental order to  
5 whatever you pass today.

6 CHMN. MAYES: Ms. Alward, does that sound about  
7 right?

8 MS. ALWARD: Chairman, Commissioners, yes, I  
9 think that -- and your point that the amendment then would  
10 conform to the proposed order that Staff files, they would  
11 just have to change where they are going to be inserted if  
12 the Commissioners wanted to amend what Staff recommends.

13 CHMN. MAYES: Okay. Great.

14 All right. So, Commissioner Pierce, have you  
15 offered your amendment?

16 COM. PIERCE: I did.

17 CHMN. MAYES: Do we have any other questions  
18 about it? No.

19 Madam Secretary, please call roll.

20 MADAM SECRETARY BERNAL: Commissioner Kennedy.

21 COM. KENNEDY: No.

22 MADAM SECRETARY BERNAL: Commissioner Stump.

23 COM. STUMP: Aye.

24 MADAM SECRETARY BERNAL: Commissioner Newman.

25 COM. NEWMAN: I think I explained my vote in my



1 last statement, and I really do respect the rights of  
2 every Commissioner to do what they think is the right  
3 thing, and so I vote aye.

4 MADAM SECRETARY BERNAL: Commissioner Pierce.

5 COM. PIERCE: Yes, and I appreciate the  
6 opportunity though for us -- no one wants to delay. I  
7 typically feel like we should be able to move forward, but  
8 I think that the opportunity for all school districts  
9 to -- for us to know they have been noticed is  
10 extraordinarily important. I appreciate the support.  
11 I vote aye.

12 MADAM SECRETARY BERNAL: Madam Chair Mayes.

13 CHMN. MAYES: Well, before we get off the topic  
14 of the schools and as I'm voting -- and I may -- I'll  
15 probably put this in the form of a letter, but by the time  
16 we get to the schools' issue in two weeks I would like  
17 information from the company regarding what it plans --  
18 what it believes it would have to request in the form of  
19 an increased tariff if we did not separate the RECs -- or  
20 if we did not allow the RECs to count towards residential,  
21 why it would believe that, and an alternative form or an  
22 alternative plan to allow -- to allow the schools' RECs  
23 not to count towards residential, i.e., some sort of  
24 spaced-out payment plan, if you will, if that is even  
25 necessary. I'm not even sure it would be necessary

1 because I believe there are going to be savings and  
2 efficiency on the commercial side that probably will make  
3 this whole issue a wash or it may simply never become a  
4 problem.

5 Does the -- nod your head if you understand that.

6 Okay. And --

7 COM. NEWMAN: Record reflects they nodded their  
8 head.

9 CHMN. MAYES: And I vote aye.

10 So by your vote of four ayes and one no, you have  
11 passed Pierce Amendment No. -- I guess it's 2.

12 And do you want to offer your PBI amendment,  
13 Commissioner Pierce?

14 COM. PIERCE: Madam Chair, I move Pierce Proposed  
15 Amendment No. 1.

16 And I really appreciate APS's handling of this  
17 issue. They brought this to the Commission's attention  
18 back in March. This issue has potential to really slow  
19 down the deployment of distributed generation in Arizona.  
20 And I like the production-based incentives over the  
21 up-front incentives for three reasons.

22 First, PBIs are in reality the same as a feed-in  
23 tariff, which have proven to be the quickest and the most  
24 efficient way to incent the deployment of distributed  
25 generation.

1           Second, I like PBIs because they are much more  
2 protective of the ratepayer than the up-front incentive.  
3 The PBI system, like a feed-in tariff, incents  
4 performance. If someone puts junk on the roof or they put  
5 a PV system at a bad angle to catch the sun's rays or if  
6 the system breaks down in seven years, the PBI regime  
7 holds the ratepayer harmless because the incentive is paid  
8 only as the system performs.

9           In contrast the UFI system exposes ratepayers to  
10 paying for equipment that never works or breaks down  
11 before all the RECs are provided. APS even has a  
12 provision in its Distributed Energy Administration Plan  
13 that says that they can continue to count all the RECs it  
14 purchased if the UFI system stops performing or  
15 underperforms. I call this the phantom electricity  
16 provision.

17           The philosophy seems to be, APS paid for it,  
18 therefore it must be working. Counting phantom  
19 electricity is not fair to APS's customers who deserve  
20 honest and transparent reporting regarding success of our  
21 renewable energy rules in producing distributed energy.

22           Finally, I like PBI because they mute disputes  
23 over the level of incentive payment for off-angle systems.  
24 Under a PBI the customer has the ultimate control. The  
25 customer places the panels at whatever angle it wants and

1 is rewarded as the panels perform.

2           So I support giving PBI incentives the type of  
3 certainty that they need to work. I have always believed  
4 that we should treat all solar PV systems equally and that  
5 we should not discriminate between residential systems and  
6 commercial systems. But residential and commercial  
7 systems provide identically clean electrons, and I believe  
8 we should begin to transition all PV systems to a PBI  
9 model.

10           Also, as we consider tripling the guarantee for  
11 PBI cost recovery, I think we should evaluate closely the  
12 risks associated with various PBI alternatives, which  
13 presently including a 10-year recovery, a 10-year  
14 production of solar, a 15/15 plan, a 10/20 plan, and a  
15 20/20 plan. In particular I'm concerned with the 10/20  
16 plan, that this imposes additional risk to ratepayers that  
17 may no longer be appropriate now that we are talking about  
18 220 million instead of 77 million.

19           I think that it's appropriate to make tweaks in  
20 the system as we move along, especially this one, to make  
21 sure that ratepayers aren't at risk. If we need to move  
22 to 220 million, I don't think that a 10-year payout on a  
23 system that is supposed to work 20 years is of value. I  
24 think it really puts ratepayers at risk. That is why I  
25 offer the amendment.

1 CHMN. MAYES: Okay. Does the company have a  
2 response to this?

3 MR. MAHRER: Chairman, Commissioner Pierce, we  
4 made such a proposal in the past. We recognize the  
5 elements that Commissioner Pierce has describing. We have  
6 no objections.

7 CHMN. MAYES: Okay. My view is this issue should  
8 be addressed in the implementation plan process. I know  
9 that there are technologies that have issues with the  
10 proposal. Ms. Glover has provided comments in the docket,  
11 and I would prefer that we deal with it at that time.

12 Commissioner Newman.

13 COM. NEWMAN: Madam Chair, I was going to do a  
14 point of procedure actually asking counsel about this.  
15 Because not only is it compliance -- I think it's  
16 compliance -- I'm not sure -- I mean, counsel was the one  
17 that brought up whether we are in a rulemaking model  
18 today, or what are we? Is this a resolution? It has I's  
19 in it. I don't quite understand that.

20 It just -- I wanted counsel's advisement on  
21 whether or not this is more like rulemaking or because  
22 it's worded like a resolution to Congress it's not  
23 rulemaking. It seems to me we shouldn't be considering  
24 this in this kind of proceeding in this context, unless  
25 it's rewritten in some way.

1 I also have concerns about the cost elements of  
2 the amendment, which I don't fully understand and I'm a  
3 little bit afraid of, just voting or even understanding  
4 how to discuss it because I haven't been fully briefed on  
5 it.

6 And I respect Mr. Pierce bringing this, but I  
7 don't have enough information to talk about it. I also  
8 have a concern that we might be breaking some sort of  
9 rule.

10 If counsel has any direction on that, that would  
11 be helpful on that.

12 CHMN. MAYES: Ms. Alward.

13 MS. ALWARD: Chairman, Commissioners, on the  
14 point of whether I think this is some rulemaking or due  
15 process issue, I don't see it.

16 COM. NEWMAN: And what is this? Is this a -- in  
17 your reading of it, because it has I's in it, it seems  
18 like it's a letter written in first person from  
19 Commissioner Pierce that when I vote for it, it becomes  
20 we. You know, this seems more like a resolution of one.

21 MS. ALWARD: Chairman, Commissioners, I don't  
22 know --

23 COM. NEWMAN: Okay. It must have been how it's  
24 marked.

25 MS. ALWARD: I didn't --

1 COM. NEWMAN: No, it must be how I'm reading his,  
2 the remarks.

3 MS. ALWARD: Right. I didn't understand it to  
4 be --

5 COM. NEWMAN: No. No.

6 Now, on page 8, line 18, the deletion there at  
7 22.5 cents per kilowatt hour, that is what I'm referring  
8 to as I don't understand that. And, I mean, I don't  
9 really want to be forced to have to vote for this today.

10 Do you have -- do you know what that means?

11 CHMN. MAYES: Let me -- can I interject here? I  
12 have got to take a break, another break for the court  
13 reporter. We can come back and have Mr. Olea try to  
14 answer that question after the break. Okay.

15 (Whereupon, a recess was taken from 5:19 p.m.  
16 until 5:33 p.m.)

17 CHMN. MAYES: Let's come back to order.

18 What we are -- I'm going to just make a couple  
19 procedural comments here, if Ms. Alward will allow me to  
20 do that.

21 First, we have a court reporter that cannot --  
22 really can't stay past 7:00. We have staffers that really  
23 can't stay much longer either.

24 So what we need to do is take care of the item we  
25 are on now. What I want to do is -- let me just throw

1 this out there -- take Trico next, try to do Trico  
2 tonight. We may or may not get it done. If we don't, we  
3 will spill over until tomorrow morning. We will come back  
4 here at 9:00, and we will go until we get Trico down. And  
5 then the APS rate case will resume once we are done.

6 Then I would propose -- and this is  
7 unfortunate -- that we hold over Nos. 23 -- the green  
8 power rates and SolarCity's matter until the securities  
9 open meeting. I know Mr. Hurley needs to get his client  
10 back to talk about that.

11 But I don't see -- I don't see an alternative  
12 here, folks. We -- I thought we could go later, but we  
13 just cannot. We have to have a court reporter here, and  
14 we have to have Staff here, and some of them have a bus to  
15 make. So that is just the reality of the situation right  
16 now.

17 MS. ALWARD: Chairman, the only thing I would  
18 suggest is that you just say that the Commission Staff  
19 open meeting that has been noticed is not going to occur  
20 this week.

21 CHMN. MAYES: Yes. The Commission Staff open  
22 meeting is not going to occur this week, obviously. We  
23 cannot be in 1,000 different places at the same time.

24 So, Mr. Rich, the situation is this, we are not  
25 going to get, at this pace, to SolarCity. We have a court



1 reporter that has to go home, like physically has to go  
2 home. We have Staff that have to go home. And this  
3 matter has taken all day.

4 So what we are talking about doing is putting the  
5 SolarCity item over until the securities open meeting as  
6 well. So we would do SolarCity, the schools' issue, and  
7 the green power rates issue.

8 Do you want to talk to that issue?

9 MR. RICH: Chairman Mayes, Members of the  
10 Commission, to the extent it's -- I know there was some  
11 discussion earlier about the possibility of tomorrow  
12 morning, being able to adjourn until that time to hear  
13 that case, to hear this case and presumably potentially  
14 others. We certainly would prefer that. I do have --  
15 it's not your problem -- but I do have a client that flew  
16 out for this.

17 CHMN. MAYES: Well, the reason --

18 MR. RICH: But to the extent you can consider  
19 that -- and as we have been hearing over and over all day  
20 today, time is, you know, of the essence and continues to  
21 be, particularly with Desert Mountain High School.

22 CHMN. MAYES: Okay. But you have a proposal to  
23 bifurcate your own matter, which I don't understand  
24 either. But if you are even willing to bifurcate your own  
25 matter, then is time of the essence that much?

1 MR. RICH: Chairman Mayes, Members of the  
2 Commission, there are different -- there are two different  
3 contracts for two different schools with different  
4 circumstances to where they are in the process, and we do  
5 believe that with regard to Desert Mountain High School  
6 that moving forward quickly is -- we did not ask to push  
7 that one. We would like to stay on the same schedule, but  
8 I do understand we may not have an option.

9 CHMN. MAYES: Yeah. Well, I am being told --  
10 well, I think, you know, Commissioner Pierce has an  
11 amendment on SolarCity. So it may go long as well. And  
12 we have other cases scheduled for this room tomorrow.

13 So if my colleagues -- I don't know what my  
14 colleagues want to do. I am but one commissioner.

15 COM. PIERCE: I like your idea.

16 CHMN. MAYES: Okay.

17 COM. PIERCE: If we can't stay tonight.

18 COM. NEWMAN: Madam Chair, I go by your  
19 direction. You are the most experienced amongst us.

20 CHMN. MAYES: Well, I don't know if that is  
21 saying much.

22 Okay. And I'm sorry, Mr. Rich. I apologize,  
23 but, you know, we have taken -- as I said, we have taken  
24 all day on this matter. So I don't know what to say.

25 MR. RICH: We understand, and I appreciate the

1 consideration. So we look forward to being back here as  
2 soon as that can happen.

3 CHMN. MAYES: Okay. Me too.

4 All right. Where were we? Commissioner Pierce?

5 COM. PIERCE: I just wanted to make sure that  
6 Staff is aware -- I know that Staff is aware -- that on  
7 page 9, line 12 there is an additional strike of reference  
8 to the 10/20-year PBI contract. And I just -- in my  
9 amendment that you would make any conforming changes to  
10 match that up?

11 MR. OLEA: Chairman Mayes and Commissioner  
12 Pierce, I was going to bring that up. In fact, the change  
13 that I would propose would be to leave your amendment just  
14 the way it is except for at the bottom of the first page,  
15 we have page 8, line 18. We just change that to page 9  
16 lines 12 and a half and 13. And the reason that would be  
17 the only change we would make is because that is the  
18 change to the ordering paragraph.

19 The change that you had proposed on page 8, line  
20 18, you would actually not make that change because that  
21 is Staff's recommendation. So that would stay the same.  
22 But you would change it in the ordering paragraph, and you  
23 would do that by just changing at the bottom of your page  
24 again. So it would say page 9 instead of page 8, and  
25 instead of line 18 it would say lines 12 and a half and

1 13.

2 COM. PIERCE: And, Madam Chair, I would make that  
3 verbal amendment as outlined by Mr. Olea to my amendment.

4 MR. OLEA: And also, Madam Chair, to speak to  
5 Commissioner Newman's question that came up just before we  
6 left for break, the 22.5 cent per kilowatt hour for  
7 10-year contract/20-year PBI incentive, that actually  
8 comes from Staff's memo, and that was the recommended new  
9 incentives rate for that type of contract. That is where  
10 that came from.

11 COM. NEWMAN: And --

12 MR. OLEA: And if you want the explanation as to  
13 where that number actually came from, I will let  
14 Mr. Williamson talk to that.

15 COM. NEWMAN: I sort of need an explanation for  
16 that. And I was -- I won't get into that other procedural  
17 question that I asked before because I'm still confused  
18 about it, to be quite honest with you.

19 MR. WILLIAMSON: Chairman Mayes, Commissioner  
20 Newman, I think I can answer your question.

21 The numbers that you see here come straight from  
22 APS's approved REST plan, and there are four different  
23 options. You can have a 10-year contract, a 15-year  
24 contract, a 20-year contract, or -- and this is the one  
25 that Commissioner Pierce is proposing to strike -- you can

1 have a contract where you get paid for 10 years but you're  
2 required to provide your RECs for 20 years. And that was  
3 the concern, that that is a risk, that after they get paid  
4 for the first 10 years, there is no incentive for them to  
5 keep operating because they have already got their money.

6 COM. NEWMAN: So that is in contrast between the  
7 PBI and the other incentive or --

8 MR. WILLIAMSON: These are all for PBIs but for  
9 different terms. And this one is kind of strange that  
10 it's not the same period of payment and RECs.

11 Everything else you have 10-year contract. You  
12 get paid in 10 years, and you only give them 10 years'  
13 worth of RECs, same thing for 15 or 20. This one is kind  
14 of a split. You get paid for the first 10 years, but  
15 after that is over with and you have been paid, you have  
16 to provided RECs for the next 10 years. That is the risk  
17 to APS because there is no incentive for them to continue  
18 operating if the system breaks down after that because  
19 they have already gotten paid.

20 COM. NEWMAN: How is this not procedural in  
21 nature in changing the RECs?

22 MR. OLEA: Madam Chair and Commissioner Newman,  
23 there is no change to the RECs. They currently have those  
24 four options that were listed by Mr. Williamson. The only  
25 difference is that they have different incentive levels,

1 but they have the 10-year, the 15-year, the 20-year, and  
2 the 20-year paid back in 10 years. They have that right  
3 now.

4 COM. NEWMAN: Well, how am I supposed to have the  
5 knowledge of whether that is good or bad or whether it's a  
6 major procedural change? I mean, I haven't been advised  
7 on that.

8 MR. OLEA: Well, it --

9 COM. NEWMAN: Which is one of my reasons for not  
10 wanting to proceed here.

11 MR. OLEA: Well, in Staff's memo and order you  
12 have four rates in front of you that Staff has said lower  
13 the incentive to all four of them. The only thing that  
14 Mr. Pierce's amendment does is it removes one of those  
15 options.

16 COM. NEWMAN: And do we have to do this today?  
17 Why can't we do this in two weeks?

18 MR. OLEA: That is up to the Commission.

19 CHMN. MAYES: Commissioner Pierce.

20 COM. PIERCE: Yes, I was going back and forth  
21 with you.

22 Mr. Olea, there is a risk involved and there was  
23 as these rules were written. But the risk is much greater  
24 with what we are proposing to do here now, isn't it, with  
25 expansion of the -- on the nonresidential and the

1 commercial side? Much more -- three times the risk in  
2 one year.

3 MR. OLEA: Well, there is --

4 COM. PIERCE: Potentially if people select that  
5 plan.

6 MR. OLEA: And I guess that all depends on how  
7 you look at it.

8 The risk that was there before is still there.  
9 There is more money at risk now that you upped the level  
10 from 77 to 220, but I guess the risk is still the same  
11 risk in that a customer is basically telling APS, I will  
12 keep my system operating for 20 years, but I want you to  
13 pay me for it in 10 years. So after that first 10 years,  
14 if it doesn't operate, then that energy is not produced  
15 anymore.

16 COM. PIERCE: Sure. And APS has proposed this in  
17 the 2009 implementation plan, haven't they, that this --  
18 that that one of the four options be -- the hybrid be  
19 eliminated?

20 MR. OLEA: And I'm not as familiar with all that  
21 as I should be. But I did hear APS just state that a  
22 second ago, that they had proposed earlier on that that  
23 option be actually taken out of their options.

24 COM. PIERCE: And, Madam Chair, it's as simple as  
25 that. I don't know if this is a -- I just propose this

1 because I think it's a good idea. It's not going to blow  
2 this deal.

3 CHMN. MAYES: Commissioner Kennedy.

4 COM. KENNEDY: Thank you, Madam Chair.

5 I guess I need to thank Mr. Williamson because I  
6 think he explained it correctly for me.

7 Basically I'm in opposition to this amendment,  
8 and the reason why is this is really an early payment  
9 without penalty. This is a great incentive for small  
10 businesses, but it is a bad, bad deal for the residential  
11 customers after the test year.

12 This amendment -- and my mother would kill me if  
13 she heard me say this -- but the residential customers are  
14 taking a good screw. I didn't say that.

15 CHMN. MAYES: Commissioner Stump.

16 COM. STUMP: Thank you, Madam Chair.

17 I will have this question directed to APS or to  
18 Steve, I suppose either of you -- I suppose APS.

19 Do we know how it breaks out, how many people are  
20 taking advantage of the option that Commissioner Pierce is  
21 adverse to versus the other options?

22 MR. MAHRER: Chairman Mayes, Commissioner Stump,  
23 we do. Today we have both installed, reserved, and  
24 pending potential reservations, 96 total projects. 46 of  
25 those would fall under the mismatched contract, the 10/20



1 option, PBI option.

2 COM. STUMP: And there were 96 total?

3 MR. MAHRER: 96 total, 46 of which are under this  
4 option.

5 COM. STUMP: Right.

6 CHMN. MAYES: And, you know, just -- I mean, I  
7 was here. Commissioner Pierce and I were here the last  
8 time this issue came up. Obviously I think it's -- it  
9 needs to be studied some more. I opposed it the last time  
10 it came up. Ms. Glover is in the audience. I will not  
11 have her come forward, but she opposed it the last time  
12 because her technology would have been harmed by this  
13 proposal. And I don't think we should be harming  
14 technologies until we fully understand what it would mean  
15 for everybody.

16 So if you want to deal with it in the  
17 implementation plan, let's deal with it then, and we can  
18 have a full vetting of it.

19 But you can offer your amendment, Commissioner  
20 Pierce. I guess you have.

21 COM. PIERCE: I have.

22 CHMN. MAYES: Madam Secretary.

23 COM. PIERCE: Well, do we need to vote on the  
24 amendment to the amendment, that verbal?

25 MS. ALWARD: No.

1 COM. PIERCE: Nope. Okay.

2 CHMN. MAYES: Thank you. I think what we need to  
3 do is move on.

4 Madam Secretary.

5 MADAM SECRETARY BERNAL: Commissioner Kennedy.

6 COM. KENNEDY: Absolutely not.

7 MADAM SECRETARY BERNAL: Commissioner Stump.

8 COM. STUMP: If I'm understanding this correctly,  
9 I vote aye.

10 MADAM SECRETARY BERNAL: Commissioner Newman.

11 COM. NEWMAN: I'm not understanding this at all,  
12 and I need more time to understand it. And I'm a little  
13 bit frustrated with the position of treading water on all  
14 of this during the day.

15 You know, these are very, very important issues  
16 that need to be resolved. I'd like the schools to be able  
17 to make this switch so we could make this happen. And to  
18 me this is a substantive change that I really don't feel  
19 comfortable on voting, but I can't abstain, so I vote no.

20 MADAM SECRETARY BERNAL: Commissioner Pierce.

21 COM. PIERCE: Yes, just for a moment, because I  
22 think it needs to be clearly understood that the  
23 ratepayers are harmed by this 10/20. They get their money  
24 over 10 years, but they agree to produce power for 20. If  
25 they don't, then who is harmed are ratepayers who have

1 paid that out and have gotten nothing in return.

2 So this one is -- and we will get around to  
3 finding this out, I guess, in the implementation plan, and  
4 hopefully we get it well vetted and described -- is one  
5 that -- this amendment is intended to protect ratepayers  
6 in vast amounts, and so I vote aye.

7 MADAM SECRETARY BERNAL: Madam Chair Mayes.

8 CHMN. MAYES: Well, you are wrong, Commissioner  
9 Pierce. Ratepayers are not harmed by this. If you  
10 believe that, then you believe ratepayers have been harmed  
11 by our entire Renewable Energy Standard from the  
12 beginning, including the Environmental Portfolio Standard,  
13 which has an up-front incentive, which also, you know, is  
14 an early payment, as Commissioner Kennedy was saying.

15 So if you think that, then I guess you're opposed  
16 to the Renewable Energy Standard or you think it's harmed  
17 ratepayers somehow. It has not harmed ratepayers. I vote  
18 no.

19 Okay. We will move on.

20 I have a number of questions on the underlying  
21 item. I don't know that we have got time to get to all of  
22 them, but, Ms. Scott or Mr. Mahrer, could we go to page 1  
23 of the Staff report dated August 11th?

24 Are you there, Mr. Mahrer?

25 MR. MAHRER: I'm on my way.

1 I am.

2 CHMN. MAYES: Okay. How many of the projects  
3 titled "received and pending" have occurred or will  
4 occur -- do we know will occur this year? There are 16  
5 projects received and pending. I mean, there is a  
6 footnote that says, "New reservations through the  
7 April 30th, 2008 nomination period."

8 Is there a chance that those projects will not  
9 occur and will not take that money? And what is the  
10 likelihood of that?

11 And the direction of my questions is, I'm  
12 beginning to wonder whether there is really a problem in  
13 front of us. I have always wondered whether APS basically  
14 tied us up in a knot that we shouldn't be tied up in, but  
15 go ahead.

16 How many of those projects are happening?

17 MR. MAHRER: Commissioner Pierce --

18 CHMN. MAYES: Commissioner Mayes.

19 MR. MAHRER: Chairman Mayes, I apologize. We  
20 have out of that 11 installed and operating projects.

21 CHMN. MAYES: Okay. So five have fallen through?  
22 So far five haven't happened?

23 MR. MAHRER: I'm sorry. No. There are in  
24 addition 46 of those that are reserved.

25 CHMN. MAYES: I'm talking about received and

1 pending right now, sir.

2 MR. MAHRER: Yeah.

3 CHMN. MAYES: It said 16 projects; how many are  
4 done or happening?

5 MR. MAHRER: Chairman Mayes, I am struggling to  
6 link these numbers to -- certainly progress has been made  
7 since Staff's report, and I would be happy to report back  
8 the number of projects that were under that category that  
9 are not operating and if any of those have fallen through.

10 CHMN. MAYES: Can you give us a ballpark figure?  
11 Can Ms. Lockwood give us a ballpark figure or whoever?

12 MR. MAHRER: None of those projects have fallen  
13 through to date. All continue to proceed as planned.

14 CHMN. MAYES: What does that mean?

15 MR. MAHRER: They are on schedule to be installed  
16 and operating.

17 Chairman Mayes, Commissioners, projects that  
18 apply for production-based incentives are given a one-year  
19 timeline to fully install and operate their system. So  
20 projects that are in that queue right now are meeting  
21 their milestones and proceeding.

22 CHMN. MAYES: Okay. Well, what are the  
23 milestones that they might be meeting?

24 MR. MAHRER: Today within 60 days they must  
25 submit a fully executed purchase agreement.

1 CHMN. MAYES: How many of them have submitted a  
2 credit purchase agreement?

3 MR. MAHRER: All of the ones, Madam Chairman,  
4 that are in that queue have all submitted purchase  
5 agreements.

6 CHMN. MAYES: They have all done that?

7 MR. MAHRER: Yes.

8 CHMN. MAYES: Reserved and installed, those are  
9 installed?

10 MR. MAHRER: Correct.

11 CHMN. MAYES: Okay. And in development, 5 to 10,  
12 how many of those?

13 MR. MAHRER: Chairman Mayes, Commissioners, the  
14 in development -- pardon me -- and anticipated based are  
15 inquiries were two categories. We were trying to reflect  
16 that we continuously hear from developers and hear from  
17 our customers about their interests. And we were trying  
18 at the time of our filing to anticipate, if you will -- I  
19 think someone used the word crystal ball -- what types of  
20 projects would come to fruition at the end of the year.

21 So frankly those numbers, the 5 to 10 and the 5  
22 to 15, have manifested into many more projects than were  
23 even anticipated at that time.

24 CHMN. MAYES: Okay. But those don't have credit  
25 purchase agreements?

1 MR. MAHRER: Those don't have reservations.

2 Those are the --

3 CHMN. MAYES: They don't even have reservations?

4 MR. MAHRER: They have applied for a reservation  
5 but have not been approved because of -- frankly, they are  
6 the projects that add up to the \$285 million.

7 CHMN. MAYES: I'm sorry. What did you say?

8 MR. MAHRER: The projects in those categories are  
9 the ones that add up to the \$285 million in sum total.  
10 Clearly there are more in number than what is listed at  
11 the bottom of the Staff's report here. Those are the ones  
12 above our current authorization.

13 CHMN. MAYES: Okay. You know, I find your  
14 explanation confusing, Mr. Mahrer. I do, so I think some  
15 supplemental information on that would be helpful.

16 You know, how many schools do you have that have  
17 signed credit purchase agreements with you?

18 MR. MAHRER: Chairman Mayes, Commissioners, we  
19 have two schools that have not only signed credit purchase  
20 agreements but that are operating systems today under  
21 production-based incentives.

22 We have one school with a reservation for  
23 production-based incentive.

24 We also have two schools that have received or  
25 that have -- one that has received and one that has

1 applied to receive an up-front incentive for a smaller  
2 system.

3 Additionally we have two that are beyond the  
4 \$77 million mark.

5 CHMN. MAYES: Okay. When we were dealing with  
6 the SolarCity item there were projections of huge numbers  
7 of schools.

8 I mean, how many schools do we think are going to  
9 be replying this year? Will be -- in other words -- go  
10 ahead.

11 MR. MAHRER: Chairman Mayes, you know, we are  
12 listening to the market, just like we have had the  
13 opportunity to today. We have heard from Mr. Bracamonte.  
14 We have heard from SolarCity. We understand that the  
15 potential for school projects to amount up to maybe 13 or  
16 more megawatts are the type of numbers we are hearing.

17 CHMN. MAYES: So you are not going to come back  
18 in here at the end of the year and tell us that you  
19 haven't used up all your commercial money and you haven't  
20 used up all that \$20 million, are you, or are you?

21 MR. MAHRER: It would -- Chairman Mayes, it would  
22 certainly not be our intentions. We would hope --

23 CHMN. MAYES: Well, I know that is not your  
24 intention, but what do you think?

25 MR. MAHRER: Well, there are several pieces here.



1 There are -- there is a proposal in Staff's report to  
2 reduce incentives. Many of the customers with requests  
3 for reservation will likely need to amend those  
4 reservations and projecting the outcome of what those  
5 economics look like under kind of a new incentive regime  
6 may change the liabilities of some of those projects.

7 So we would continue to accept reservations and  
8 approve reservations all the way up until the \$220  
9 million.

10 CHMN. MAYES: Do you know -- are you aware of  
11 schools that have -- are getting ARRA money yet? Do you  
12 know where they are in the process?

13 MR. MAHRER: Chairman Mayes, I'm not specifically  
14 aware of any individual schools receiving ARRA money.  
15 That would be a better question for them.

16 CHMN. MAYES: For them?

17 MR. MAHRER: For the schools.

18 CHMN. MAYES: Well, Ms. Lockwood, do you know the  
19 answer to that question?

20 MS. LOCKWOOD: Chairman Mayes, Barbara Lockwood  
21 for Arizona Public Service.

22 I am aware of a couple of different things with  
23 respect to the schools, and I think the primary funding  
24 that has been referenced regularly is \$20 million that is  
25 potentially earmarked for the school facilities board to

1 go towards energy efficiency and renewable energy  
2 projects.

3 To the best of my knowledge, that has not been  
4 awarded to the schools yet, and I don't know what their  
5 schedule would be.

6 CHMN. MAYES: We have no clue yet when that will  
7 happen?

8 MS. LOCKWOOD: The proposals were submitted to  
9 the Energy Office, and I know that they are assessing them  
10 now and talking with the counterparties that could  
11 potentially receive the funding. So the timing is really  
12 not particularly clear.

13 I will add that of that \$20 million that is today  
14 slated for the school facilities board, only 30 percent of  
15 that is intended to go to solar installation. The other  
16 70 percent is intended to go to the energy efficiency  
17 projects.

18 CHMN. MAYES: Right. Okay. So there they will  
19 be notifying you and us when that money comes through, the  
20 school facilities board.

21 MS. LOCKWOOD: Chairman Mayes, we have been  
22 working with the school facilities board, communicating  
23 with them, and we will help them through the process.  
24 They have yet to clearly define how they are going to  
25 distribute the funding as is. So I'm sure we will be a

1 part of the process as it develops.

2 CHMN. MAYES: Okay. Mr. Mahrer, going back to  
3 page 1 of the Staff order, would I be correct in assuming  
4 that the projects entitled "in development" or  
5 "anticipated based on inquiries" could take months to get  
6 into the reservations stage?

7 MR. MAHRER: Chairman Mayes --

8 CHMN. MAYES: Or to be signed for contract?

9 MR. MAHRER: Chairman Mayes, I would respond by  
10 saying we have reservation requests that far exceed what  
11 is documented here in Staff's report in our hands today.

12 CHMN. MAYES: Okay. Well, when do you anticipate  
13 these projects coming under contract?

14 MR. MAHRER: So if the \$220 million authorization  
15 were approved, we would process those reservations in the  
16 upcoming nomination periods. Some of those projects, I  
17 believe, are ripe for execution here in the near term and  
18 some will take a little bit longer to develop.

19 CHMN. MAYES: Could you be a little bit more  
20 precise in writing by the time we -- well, actually, I  
21 would like you to be more precise right now since we are  
22 voting on this right now.

23 MR. MAHRER: Chairman, I do have details in front  
24 of me. Let me orient myself on this page, if you will  
25 give me a moment.

1 That is correct. So, Chairman Mayes, there are  
2 two components to answer your question. The first is the  
3 moment that we have the additional funds and the  
4 nomination period closes, those reservations have 60 days  
5 to sign a contract and no more than 60 days.

6 CHMN. MAYES: And we don't know how many of them  
7 will?

8 MR. MAHRER: It's too early to predict.

9 CHMN. MAYES: Okay. So after 60 days, I assume  
10 you could report back to the Commission on how many of  
11 those have signed contracts?

12 MR. MAHRER: We certainty could.

13 CHMN. MAYES: Okay. I would expect you to do  
14 that then.

15 Okay. I think we have moved -- have you moved  
16 the item?

17 Chairman Newman.

18 COM. NEWMAN: So the Trico folks know, I want to  
19 be able to get to the Trico matter, but I find myself a  
20 bit treading water with this whole issue. Your questions  
21 were very right on in terms of something I would just call  
22 nebulous.

23 I mean, in development, anticipated based on  
24 inquiries is a \$93 million pot. We have heard testimony  
25 today saying, you know, that not all of these projects

1 will go. You even, I think, admitted to that. But I  
2 don't understand how you froze these funds back in April.

3           You have no idea whether that \$93 million pot is  
4 going to be taken up, and you're asking us to make a  
5 pretty quick judgment about this. And not only does it  
6 affect the residential model -- I mean, we are setting  
7 into motion ammunition of RECs for residential, and I'm  
8 telling you, I just have a hard time believing this.

9           I am a pretty seasoned government person. I  
10 don't understand how you could know that that \$93 million  
11 was going to be used up in April or March, whenever you  
12 gave us notice, even though it really wasn't on my screen.

13           I am having -- I want to help -- I want to help  
14 commercial development as much as I can, but to be honest  
15 with you, I guess I don't believe in your models. I don't  
16 believe this model could be right. And how would you know  
17 that it was going to be right back in March?

18           MR. MAHRER: Chairman Mayes, Commissioner Newman,  
19 I think I can provide some clarity on that.

20           COM. NEWMAN: \$93 million.

21           MR. MAHRER: Chairman Mayes, Commissioner Newman,  
22 as of the time of this application we had fully committed  
23 all \$77 million of existing authorization. Additionally,  
24 at the time we had \$55 million of requests above our  
25 authorization from the 2009 implementation plan.

1 To date that sum total is \$285 million. It's not  
2 the forecast. Those are reservations that we hold in our  
3 hands today.

4 COM. NEWMAN: Over the 220? So you are saying  
5 the \$65 million -- unless I'm getting this wrong. I  
6 should have let you complete. I'm sorry. I'm sorry to  
7 interrupt.

8 You are saying 285, and all you are asking us is  
9 just for a measly \$220 million expenditure today. But you  
10 are not -- you are sure that you are going to need it all?

11 Here we are in September. School board doesn't  
12 have to really do all of its business, from what I  
13 understand, because they have until 2010, although  
14 December 2009, part of the incentives closed down.

15 So you really think that the school facilities  
16 boards will divvy up all that money and that you are going  
17 to need it -- not the school. This is for commercial.

18 So again, I just want to know, the \$93 million --  
19 you never really gave an answer to the Chair, and I'm a  
20 little bit wondering why we have to do this today. You  
21 never said what is going to fall out. What is going to be  
22 there? What is going to fall out? What is going to fall  
23 out? Why do we have to transfer \$220 million today?

24 MR. MAHRER: Chairman Mayes, Commissioner Newman,  
25 I don't believe this discussion at this moment is about a

1 transfer of \$20 million.

2 Here we are talking about our authorization for  
3 lifetime commitments under the production-based incentive  
4 program.

5 COM. NEWMAN: I'm sorry. I'm sorry. You have to  
6 focus me on it.

7 MR. MAHRER: And again I will --

8 COM. NEWMAN: It's getting late in the day.

9 MR. MAHRER: Again, I would simply underscore, we  
10 have existing projects and commitments and reservations  
11 that are meeting all of their necessary timelines that in  
12 sum total exceed our -- the ones that are preceding -- are  
13 within our current authorization. We have interest from  
14 the market that far exceeds that \$77 million.

15 We have proposed \$220 million as a reasonable  
16 authorization to take on those projects today. It will  
17 help us exceed compliance through 2010.

18 COM. NEWMAN: And again, who is paying for that?

19 MR. MAHRER: The production-based incentives are  
20 paid for through the RES.

21 MR. OLEA: Madam Chair --

22 COM. NEWMAN: It's a tariff that has been paid  
23 for by residential ratepayers?

24 MR. MAHRER: All ratepayers.

25 COM. NEWMAN: And you want me to tell the folks

1 all over the state who are making minimum wage, just  
2 getting by in this very hard economic times, that we have  
3 to help Wal-Mart achieve this extra incentive because that  
4 is somehow going to help their bottom line?

5 MS. SCOTT: Chairman Mayes --

6 COM. NEWMAN: Why can't -- I don't want a  
7 lawyer's answer. I don't.

8 MR. MAHRER: Chairman Mayes, Commissioner Newman,  
9 what we have put before you is a kind of a moment of  
10 opportunity to reflect on Commission policy. In a sense,  
11 now demand for the nonresidential program exceeds those  
12 targets described by the RES. It is an opportunity for  
13 the Commission to speak as to whether or not they would  
14 like us to exceed RES targets, and doing so would require  
15 funding nonresidential projects with an authorization of  
16 \$220 million, is our proposal.

17 COM. NEWMAN: So that is why we get paid the big  
18 bucks, Madam Chair.

19 CHMN. MAYES: And I appreciate your concern,  
20 Commissioner Newman, and I think about this all the time,  
21 too. And I will vote for this because I think we -- you  
22 know, I support the commercial program.

23 What I'm having and I continue to have a problem  
24 with is that, Mr. Mahrer, yes, you presented us, as you  
25 said, with an opportunity, but it's an asymmetrical



1 opportunity that also could potentially involve harming  
2 ratepayers who would want to do distributed generation  
3 down the road. And I don't like that at all because it's  
4 completely asymmetrical, and it's given to us in the  
5 context of a utility company that I believe has not done  
6 an adequate job of going out and pounding the pavement and  
7 selling the residential solar program.

8           And I know that because I know what is going on  
9 in other states. So, you know, I'm going to vote for  
10 this, but I'm going to spend the next year and five months  
11 hounding you about your residential program -- that is a  
12 promise -- even if it's really painful.

13           So I understand, you know. And frankly I would  
14 like to know, you know, who some of these projects are. I  
15 am not going to sit here and say I'm anti Wal-Mart, but  
16 one of the concerns that I have -- and I think you raised  
17 it, Mr. Mahrer -- is, are we getting huge projects coming  
18 in that are crowding out smaller project? I wonder if you  
19 care to respond to that.

20           Are you seeing that? That worried me somewhat.

21           MR. MAHRER: Chairman Mayes, you know, I guess I  
22 would come at this from a point of, I think we are  
23 pleased. We are seeing a wide range of projects -- some  
24 smaller, some very large, some in the middle -- really a  
25 broad variety. I think I mentioned already, almost 100

1 projects and within those are good diversity.

2 CHMN. MAYES: So you don't think there are --  
3 there haven't been large projects that you are concerned  
4 that are too large or nothing? You are not concerned by  
5 anything? Nothing caught your eye really?

6 MR. MAHRER: Chairman Mayes --

7 CHMN. MAYES: Like that is weird or maybe that is  
8 too big or maybe that is too much money going to a Fortune  
9 500 company? I mean, really, nothing like that?

10 MR. MAHRER: Chairman Mayes, I would respond with  
11 two components to my answer.

12 The first is, some of largest projects are the  
13 ones with the greatest certainty of moving forward, real  
14 commitments by entities that are fully committed to  
15 distributed energy.

16 On the other hand I would say our 2010  
17 implementation plan proposes to put a cap on the size of  
18 projects that the program incents. So there are two  
19 facets to that.

20 CHMN. MAYES: I know that, and I appreciate that  
21 proposal. I look forward to looking at it.

22 Commissioner Newman, and then we have to --

23 COM. NEWMAN: Yeah. I guess I have to vote on  
24 this today, and one analysis I just wanted to say, you  
25 know, I mentioned Wal-Mart because it was mentioned today,

1 that Wal-Mart serves in the loop. I imagine that they  
2 are -- it's kind of frustrating not to know what projects  
3 they are. We just have this graph of \$93 million sitting  
4 up there, and I have no idea where this money is going to  
5 and then I have to vote to supplement it by \$20 million.

6 But this does -- to keep it in perspective, which  
7 we haven't mentioned this today, there is an element --  
8 like I mentioned before, there is an element of all this  
9 that the big dogs always get to eat first in our society,  
10 and they are eating first in our society, and we will have  
11 to pick up the little people in the end, the people who  
12 we're trying to make APS market to the million people out  
13 there that they serve.

14 I really have a problem with this, but to put it  
15 in perspective -- this is why I am able to vote yes -- is  
16 we are dealing with the greenhouse gas initiative. We are  
17 dealing with climate change. We are dealing with many  
18 things with renewable energy. So in a sense, I may end up  
19 voting on this today, but I have a hard time using  
20 residential money to prop up the big dogs.

21 It seems like the same things always happen. I  
22 remember when we did deregulation in the legislature, then  
23 the big companies got to utilize it all and they got  
24 stipends, and the argument is that they create jobs for  
25 everybody and so it all trickles down. But I don't --

1           You know, I believe that in the end this will be  
2 right for improving the environment in a sense that we are  
3 at least doing something, modeling behavior for society.

4           There is no doubt to me that there is some --  
5 something really smells. There is something bad about  
6 this in a sense that I don't -- I want the solar industry  
7 to prosper. I want these third-party entities to work to  
8 incentivize everyone, but right now I know that I would  
9 have a hard time justifying this vote, a positive vote on  
10 this.

11           The only reason I would vote yes is because it's  
12 doing something to affect climate change in a right way.  
13 Because I don't think that it's necessarily fair that  
14 these guys get to go so quick because they are so  
15 knowledgeable and they have their energy drafters and APS  
16 knows how to talk to energy drafters.

17           I'm struggling. And I really don't believe -- I  
18 cannot believe that by December 30th that \$93 million of,  
19 quote/unquote, speculative projects will be completed.

20           So you are asking me to give away \$20 million of  
21 residential ratepayer money, and the only justification I  
22 have is that this is okay maybe because we are doing  
23 something about greenhouse gases and taking us off of  
24 other energy sources that are more pernicious.

25           CHMN. MAYES: Well, Commissioner Newman, if I

1 could -- I know Commissioner Kennedy wants to go -- can I  
2 just respond to that quickly?

3 COM. KENNEDY: Yes.

4 CHMN. MAYES: Here is why I think you should vote  
5 for it.

6 I understand your concerns about it, and  
7 obviously I have articulated some of those same concerns.  
8 But it does more than, I think, just deal with greenhouse  
9 gases. It also, I think, bolsters the whole solar energy  
10 industry in Arizona and helps all ratepayers ultimately by  
11 helping drive down the price of solar panels and solar  
12 equipment.

13 And when you encourage an industry and you create  
14 economies of scale and you drive down prices, then  
15 ultimately, even if it's only indirectly, that helps  
16 residential ratepayer, and it helps residential -- it  
17 helps homeowners who want to put solar on their rooftop.

18 Now, I agree with you. I think we need to work  
19 on these issue in the implementation plan, and I think we  
20 should have a workshop to think about these things and  
21 really mold them through and really analyze some of these  
22 numbers -- that is why I ask these questions on page 1 of  
23 the Staff memo -- and really get into the weeds with these  
24 companies about the commercial programs.

25 Commissioner Kennedy.

1 COM. KENNEDY: Thank you, Madam Chair.

2 Madam Chair, Mr. Mahrer, I think my math is  
3 correct here. As I look at the received and pending, why  
4 didn't APS just come in with a \$50 million request rather  
5 than coming in with the numbers for development and  
6 anticipated inquiries? Or was that just greed?

7 MR. MAHRER: Chairman Mayes, Commissioner  
8 Kennedy, the answer is twofold.

9 When we forecast a PBI authorization of  
10 \$77 million, the expectation was that a variety of  
11 technologies would come to bear, that we would see solar  
12 daylight installations, we would see more solar thermal,  
13 and indeed it was expected that \$77 million in  
14 authorization would get us to nonresidential compliance.

15 The vast majority of the projects that are  
16 requesting incentives are photovoltaic projects. Those  
17 require higher incentives, and therefore the authorization  
18 needed to support photovoltaic projects is higher.

19 The reason the request included some of this  
20 pent-up demand, if you will, was to ensure that we could  
21 achieve compliance, not only in 2009, but because we're  
22 midyear in 2009 we are already accepting projects that  
23 will only come to bear in 2010.

24 So we had to consider both our 2009 and our 2010  
25 requirements. We were simple trying to achieve compliance

1 in this instance to show the Commission our intent to  
2 receive compliance when the opportunity was afforded us.

3 COM. KENNEDY: Well, Madam Chair, Mr. Mahrer,  
4 couldn't you have in essence have come back; you could  
5 have requested the 50 million and then come back with, you  
6 know, your next group of developers, or as you put them,  
7 received and pending? I'm putting them in that category.

8 MR. MAHRER: Chairman Mayes, Commissioner  
9 Kennedy, I think the answer is the market continues to  
10 bring these projects, and every time we hit that  
11 authorization cap, we, of course, will come to you and  
12 request raising that cap.

13 We were already aware that we would have the  
14 chance of exceeding that authorization in this calendar  
15 year. We did not want to have to come to the Commission a  
16 second or perhaps even third time in one calendar year  
17 requesting to raise that authorization if the customer  
18 demand for installation was there. We were simple trying  
19 to expedite this process to be sure that the solar  
20 projects could move forward on a timely basis.

21 COM. KENNEDY: Mr. Mahrer, I understand that, but  
22 you are talking about \$285 million total, and some of that  
23 is in a forecast. That is what I'm really -- well, I'm  
24 looking at the -- I see heads shaking -- and I'm looking  
25 at the anticipated base on inquiries, and there is a

1 footnote 5, and it says, "Forecast is based on  
2 informational inquiries from customers or developers." It  
3 is right here.

4 MR. MAHRER: Chairman Mayes, Commissioner  
5 Kennedy, at the time of our application, indeed that  
6 customer interest was forecasted.

7 I am here reporting to you today that not only  
8 was that forecast -- or not only do those forecasted  
9 projects really come to bear as reservation requests, but  
10 in need of requests exceed what is on that page.

11 So they are no longer forecasts. Those are real  
12 reservation requests that we have, and customers are  
13 requesting us to approve those projects.

14 COM. KENNEDY: Madam Chairman, was this part of  
15 information that you requested an update on?

16 CHMN. MAYES: Yes.

17 COM. KENNEDY: Then I shall wait to see. Thank  
18 you.

19 CHMN. MAYES: Okay. Thank you, Commission  
20 Kennedy. We need to go ahead and vote the item, but  
21 Mr. Olea has a parting word for us.

22 So what is that?

23 MR. OLEA: Madam Chair, Commissioners, and I just  
24 want to explain something that may already be clear, but  
25 this is more for the new commissioners because I am



1 getting the impression that there may be a  
2 misunderstanding on how this money works.

3 We have to remember that the money they are  
4 asking for, whatever the amount is -- and I'm going to say  
5 something here that I probably shouldn't say -- but it  
6 really doesn't matter if it's 220 or 500 million or if  
7 it's 100 million, and here is why.

8 Because this is a PBI. It's a performance-based  
9 incentive. So the very last column here it says,  
10 "lifetime contract commitment." What that means is, you  
11 are telling APS whatever, you know, amount you have -- if  
12 you leave it at 77 million or make it 200 million or if  
13 you make it 1 billion -- basically what you are telling  
14 APS is over the life of these contracts, that you're  
15 telling APS that they are going to be allowed to collect  
16 over the life of the contract this much money, not in  
17 one year. Not so --

18 So this \$93 million that was being talked about  
19 is 93 million probably over 20 years that they will have  
20 to pay back to these customers as long as they keep this  
21 plant running that they installed this year or next year.

22 So if they don't get any contracts, then they  
23 will never spend the 220 million and they will never come  
24 back to you. But as you were hearing from the industry,  
25 some of the industry prefer no cap so that they would

1 never have to come back. But if you would guarantee  
2 whatever contracts they entered into, this Commission  
3 would guarantee that they would get the rates to pay back  
4 that amount.

5 So in my mind the cap really doesn't matter.  
6 What matters is, how much incentive do you want to provide  
7 to the industry to go out and do these commercial  
8 projects? It has nothing to do with the schools, just,  
9 how much do you want to incent APS to have these  
10 commercial projects installed?

11 And so that amount at this point is \$77 million.  
12 And they have already got enough contracts signed up that  
13 for the next 20 years they have to pay back \$77 million.  
14 So at this point they will not sign up anybody else  
15 because you haven't given them that guarantee that they  
16 will get the money to pay it back. And they won't sign up  
17 anybody else until you give some kind of guarantee.

18 So they want to take it to 220 million. They  
19 told you that they have at least requests for 285 million.  
20 And so if they actually get those, they will be back here  
21 requesting more money because they want a guarantee that  
22 they can pay that back over the next 20 years.

23 So I want to make sure that we weren't talking  
24 about -- that at least the Commissioners didn't think they  
25 needed the 220 million for this year.

1 COM. NEWMAN: That is what I thought.

2 MR. OLEA: No. They need it for the next  
3 20 years to pay it back.

4 CHMN. MAYES: Right.

5 COM. NEWMAN: Thank you, Madam Chair. I  
6 appreciate that explanation because I actually was  
7 confused. I do understand about the 20-year payout and  
8 things like that, but it puts it in perspective.

9 And I also understand that -- I just put it in  
10 term of greenhouse gases -- but it also helps us in  
11 industry development. It creates jobs. It creates some  
12 capitalization for other renewable developments. I do  
13 understand that. I didn't want to be misinterpreted by  
14 the industry who is listening to me right now.

15 I'm just struggling with these questions that I  
16 get every day about, who is subsidizing this and why am I  
17 paying this much on this tariff and am I really monitoring  
18 this as closely as I need to? I mean, that is my  
19 challenge as a commissioner.

20 CHMN. MAYES: Okay. We need to vote on this.

21 So we don't have any other questions, comments or  
22 amendments.

23 Okay. Madam Secretary, please call the roll.

24 MADAM SECRETARY BERNAL: Commissioner Kennedy.

25 COM. KENNEDY: Madam Chairman, I'm not happy with

1 the amount of the requested increase. I have been an avid  
2 supporter of solar and renewable energy projects. I'm  
3 really torn because I believe some are taking advantage of  
4 the Commission's commitment to renewable energy --

5 MS. ALWARD: I just -- I regret to have to  
6 interrupt, but it's our recollection at the table here and  
7 checking with Shaylin that you have not moved the item as  
8 amended.

9 CHMN. MAYES: Commissioner Pierce, did you --

10 COM. PIERCE: I think the record will reflect  
11 that I did, but I will move the item, Item U-22, as  
12 amended.

13 CHMN. MAYES: I don't think you did, but --

14 COM. PIERCE: Well --

15 CHMN. MAYES: As amended with your amendment?

16 MS. ALWARD: Well --

17 COM. PIERCE: You are right.

18 CHMN. MAYES: You amended it.

19 COM. PIERCE: But that amendment failed.

20 CHMN. MAYES: No.

21 COM. PIERCE: Oh, my amendment. My amendment, I  
22 will move the item as amended.

23 MS. ALWARD: None of us recalled so better safe  
24 than sorry. I ordinarily don't like to interrupt at all,  
25 but --

1 COM. PIERCE: Thank you. Sorry about that.

2 I moved it as amended now.

3 CHMN. MAYES: Okay. Madam Secretary, please call  
4 the roll.

5 MADAM SECRETARY BERNAL: Commissioner Kennedy.

6 COM. KENNEDY: I don't think I need to repeat  
7 what I said, but just in conclusion, I'm going to vote a  
8 very reluctant yes, but, APS, you have been put on notice.  
9 I vote aye.

10 MADAM SECRETARY BERNAL: Commissioner Stump.

11 COM. STUMP: Aye.

12 MADAM SECRETARY BERNAL: Commissioner Newman.

13 COM. NEWMAN: Yeah, just a brief explanation.

14 While I still have questions about reservations  
15 and this whole thing that was discussed today and also  
16 about, you know, how hard these numbers are, I'm balanced  
17 now that we have to continue to help the solar industry  
18 thrive in Arizona so they can be robust to meet the  
19 demands of the population who want clean renewable energy.  
20 And that goes to the greenhouse gas question; it goes to  
21 the jobs question; it goes to the capitalization of this  
22 industry question.

23 So I vote yes on this, but I just want to remind  
24 everyone in the room that of this incredible subsidization  
25 that is going on by 1 million ratepayers and how they

1 should be, you know, very, very happy that this exists.

2           You know, I would actually like to see more  
3           incentivation or at least discussion of that, but when we  
4           hear these hard numbers, hundreds of millions of dollars,  
5           it causes one to pause. And it was very helpful to have  
6           the explanation from Mr. Olea to sort of understand that  
7           this is a 20-year period, but, you know, I have to explain  
8           this to a lot of folks and so does APS.

9           And no one ever writes about these things.  
10          They -- so I do -- as two-thirds of the solar team who was  
11          elected back in November, I support the solar industry and  
12          I vote yes.

13                 MADAM SECRETARY BERNAL: Commissioner Pierce.

14                 COM. PIERCE: Yes, if I can for a moment, I want  
15          to say that I support renewable energy and I support  
16          adjustments in the REST implementation. I believe that  
17          notion is compatible, and I understand the Chairwoman's  
18          passion for what is important to her. But I passionately  
19          support production-based incentives.

20                 My amendment was intentioned to deal with the  
21          potential consequence, which is not apparent today but may  
22          surface in 10 or 20 years down the road. So the question  
23          I have to ask is, do I roll the dice now and hope these  
24          46 projects will perform after the 10-year payout?

25                 In the final analysis I will support this item

1 because I want commercial DG to continue to advance. I  
2 look forward to taking up this specific issue that I have  
3 on the 10/20 program during implementation, so I vote aye.

4 MADAM SECRETARY BERNAL: Madam Chair Mayes.

5 CHMN. MAYES: Well, I certainly appreciate you  
6 being passionate about something that has something to do  
7 with the renewable energy, Commissioner Pierce, and I look  
8 forward to working with you on this issue.

9 But I think as one of the people who helped write  
10 the Renewable Energy Standard that one of the great things  
11 about it was that it includes -- an implementation of it  
12 afterward is that it includes a mix of mechanisms to do  
13 it. And I would be pretty wary and I'm a little thrown  
14 off by your suggestion that we move to a complete  
15 PBI-based system.

16 Although, I am excited that you think that the  
17 PBI is like a feed-in tariff. I agree with you on that.  
18 So I look forward to your support in potentially  
19 developing a feed-in tariff for the residential sector  
20 down the road since you have noted your support for that  
21 idea -- or perhaps a PBI-related mechanism for the  
22 residential sector. I mean, we haven't talked about that.  
23 I don't know if it's feasible. But there are a lot of  
24 other things that are contained within my amendment that  
25 we haven't gotten to that we will deal with in a couple

1 weeks that I think the company can try to explore to  
2 stimulate the residential market.

3           So I do think this order is in the public  
4 interest, and I think it's very exciting that this  
5 particular sector has developed the way that it has. And  
6 it shows that we were right a couple years ago that we  
7 could do this, that APS could do this, and that we are  
8 beginning down a path of making Arizona a solar energy  
9 capital of the world.

10           I vote aye.

11           I think by your vote of five ayes and zero nays,  
12 if I'm not mistaken, you have passed, at long last,  
13 Item 22.

14           (TIME NOTED: 6:31 p.m.)

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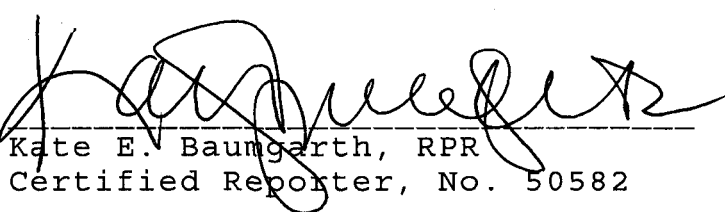
25



1 STATE OF ARIZONA )  
2 ) ss.  
3 COUNTY OF MARICOPA )  
4  
5

6  
7 I, KATE E. BAUMGARTH, RPR, Certified Reporter  
8 No. 50582, for the State of Arizona, do hereby certify  
9 that the foregoing printed pages constitute a full, and  
10 accurate transcript of the proceedings had in the  
11 foregoing matter, all done to the best of my skill and  
12 ability.

13  
14 WITNESS my hand this 31st day of August, 2009.  
15  
16  
17  
18

19   
20 Kate E. Baumgarth, RPR  
21 Certified Reporter, No. 50582  
22  
23  
24  
25

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# Speaker Slips

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8/26/09 Agenda Item No. 22  
Name MARK DOLAN Title SOLAR DIVISION MANAGER  
Representing (Group Affiliation) WILSON ELECTRIC  
Street Address 600E. GILBERT DRIVE  
City TEMPE State AZ Zip 85282  
Telephone No. 602-648-6920

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: \_\_\_\_\_  
\_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date Aug. 26, 2009 Agenda Item No. 22  
Name LEE FELICIANO Title EVP  
Representing (Group Affiliation) ~~CARBONFREE~~ TECHNOLOGY  
Street Address 6615 N. SCOTTSDALE RD.  
City SCOTTSDALE State AZ Zip 85250  
Telephone No. 602-300-8500

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: WOULD LIKE TO COMMENT ON APS  
REQUEST TO RAISE PBI CAP AND INCENTIVE LEVELS.

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8-25-09 Agenda Item No. 22  
Name Freddie Bracamonte Jr. Title Partner - Vice President  
Representing (Group Affiliation) Sundial Capital Partners  
Street Address 23 N 35th Ave  
City Pittsboro State AZ Zip 85009  
Telephone No. 602-743-3380

☐ I am in favor ☐ I oppose ☒ I would like to speak

Comments: would like to address up-front payment  
and how it assists us in financing system.

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8/25/09 Agenda Item No. 22  
Name Craig McPhee Title Dir. of Contracting Prog.  
Representing (Group Affiliation) Mohave Ed. Services Coop.  
Street Address 625 E Beale St  
City Kingman State AZ Zip 86401  
Telephone No. 928-718-3201

☐ I am in favor ☐ I oppose ☒ I would like to speak

Comments: \_\_\_\_\_  
\_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8-26-09 Agenda Item No. 20  
Name Freddie Bracamonte Title Partner  
Representing (Group Affiliation) Sundial Capital Partners  
Street Address 23 N 35th Ave  
City Phoenix State AZ Zip 85009  
Telephone No. 602-743-3880

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: \_\_\_\_\_  
\_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8/25/09 Agenda Item No. U-22  
Name JAY MOYER Title attorney  
Representing (Group Affiliation) SAN RAN INC. (Intervenor)  
Street Address 1850 N. Central  
City PHX State AZ Zip 85004  
Telephone No. 602 604 2106

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: \_\_\_\_\_  
\_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date AUG 26, 2009 Agenda Item No. 22  
Name TOM ALSTON Title STATE LEAD  
Representing (Group Affiliation) SOLAR ALLIANCE  
Street Address 1475 N SCOTTSDALE RD  
City SCOTTSDALE State AZ Zip 85251  
Telephone No. \_\_\_\_\_

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: \_\_\_\_\_  
\_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8/26/09 Agenda Item No. 22  
Name Genevieve Nowicki Title Dir of Gov Relations  
Representing (Group Affiliation) Solar Power Partners  
Street Address 100 Shortland Hwy  
City Mill Valley State CA Zip 94941  
Telephone No. 202.365.9177

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: \_\_\_\_\_  
\_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8/26/09 Agenda Item No. 22  
Name John Schmadeke Title Asst. Superintendant, Agua Fria  
Representing (Group Affiliation) Agua Fria Union High School Dist.  
Street Address 750 E. Riley Dr  
City Avondale State AZ Zip \_\_\_\_\_  
Telephone No. 623 932 7006

☒ I am in favor

☐ I oppose

☒ I would like to speak

Comments: \_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8/26 Agenda Item No. 22  
Name ROB KELLY Title NATIONAL ACTS  
Representing (Group Affiliation) SOLARCITY  
Street Address \_\_\_\_\_  
City Phoenix State AZ Zip \_\_\_\_\_  
Telephone No. 415 269-6574

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: \_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8/26/2009 Agenda Item No. 22  
Name Jim Migliorino Title EXECUTIVE DIRECTOR OF FISCAL SERVICE  
Representing (Group Affiliation) DEER VALLEY UNIFIED SCHOOL DISTRICT  
Street Address 20402 N. 15TH AVE  
City PHOENIX State AZ Zip 85027  
Telephone No. 623 445-5495

☒ I am in favor

☐ I oppose

☒ I would like to speak

Comments: DEER VALLEY IS CURRENTLY WORKING ON SIX MEGAWATTS  
OF SOLAR SYSTEMS AND THIS FILING WOULD PROVIDE ADDITIONAL  
OPTIONS TO MAKE THESE FEASIBLE.  
☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8-26-09 Agenda Item No. 22  
Name Drew Zogby Title President  
Representing (Group Affiliation) Alpha Energy  
Street Address 628 Williams Ave  
City Phoenix State AZ Zip 85027  
Telephone No. 2602965013

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: Anti SIEA

☺ THREE MINUTE SPEAKING LIMIT ☺



Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date Aug 26 2009 Agenda Item No. U-22  
Name Robert Annan Title \_\_\_\_\_  
Representing (Group Affiliation) \_\_\_\_\_  
Street Address 6605 E. Sullivan St  
City Scottsdale State AZ Zip 85266  
Telephone No. \_\_\_\_\_

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: Value of strong residential program

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date Aug 26 2009 Agenda Item No. 22  
Name Michael Neary Title \_\_\_\_\_  
Representing (Group Affiliation) AZ Solar Energy Industries Assoc  
Street Address 111 W. Benson Dr  
City Phoenix State AZ Zip 85027  
Telephone No. \_\_\_\_\_

☐ I am in favor

☐ I oppose

☒ I would like to speak

Comments: \_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8/26/09 Agenda Item No. 22  
Name Dan Hosken Title Owner  
Representing (Group Affiliation) United Sustainable Energy  
Street Address 18805 N 45 Pl  
City PHX State AZ Zip 85050  
Telephone No. \_\_\_\_\_

☒ I am in favor ☐ I oppose ☐ I would like to speak

Comments: Don't change the incentive

☺ THREE MINUTE SPEAKING LIMIT ☺

Arizona Corporation Commission  
Information for Open Meeting  
PLEASE PRINT CLEARLY

Date 8-26-08 Agenda Item No. \_\_\_\_\_  
Name Lori Glover Title Founder  
Representing (Group Affiliation) SOLID Energy  
Street Address 10645 N Tatum Blvd Suite 200  
City Phoenix State AZ Zip 85028  
Telephone No. 602-677-5941

☒ I am in favor ☐ I oppose ☐ I would like to speak

Comments: \_\_\_\_\_

☺ THREE MINUTE SPEAKING LIMIT ☺